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EDITORIAL

As We See It

An elaborate tax measure was some time ago passed by the House of Representatives. In a somewhat modified form it is now apparently well on its way to passage by the Senate. Here is a proposed law which is quite different from the usual tax bill of recent years or even decades. Instead of a little tinkering here and there with the law already on the statute books, usually to raise this rate or lower that or to add or delete some impost or other to meet new revenue requirements or to appease this, that or the other pressure group, here is a measure which undertakes to "start from scratch" and rewrite our Federal tax structure from end to end. It has been a tremendous task, and one which has engaged the energies and skills of a great many specialists.

Many of the changes proposed are of a highly technical nature, whose results in actual practice may often not be definitely known until time has revealed them. Certainly, the consequences of many of them can not be foreseen with any great degree of accuracy by the great rank and file. Yet the finished work should reveal the application of a number of broad principles, and it is upon the question as to whether these basic considerations have been given full weight that the ordinary man must appraise the work of his representatives in Washington.

What are some of these basic principles? Obviously, any full elaboration of the fundamentals of equitable and sound taxation could not be undertaken in the space available here. Some of the more important requirements can, however, be listed and analyzed. It will be found, of course, that some of these basic principles have been

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Uncle Sam, Trust Officer!

By ORVAL W. ADAMS*
Executive Vice-President,
First National Bank, Salt Lake City, Utah

Mid-Western banker, in stressing role of bankers in these troubled times, and the need of continued confidence by public in the banking fraternity, points out their responsibilities, individually and collectively. Picturing the government as a parent and trust officer, he lists principles of a trust code under which government should function. Scores threat to our economy and our freedoms under the New Deal Administration, and calls for sound money and a balanced budget as insurance against inflation. Cites need for economic education and summarizes responsibilities of "Uncle Sam as a Trust Officer."

In this enchanted spot of retirement, surrounded as we are, by the choicest beauties of nature, we are conscious of being removed from the grasping, grating turmoil of the world, and we should feel an awareness of our responsibility to consider and to make an unprejudiced appraisal of some of the fundamental underlying factors of our great inheritance—the Estate of America.

Orval W. Adams

It is true that we are sometimes so close to the forest that we cannot see the trees. We may conclude that while we are enbroiled in the troubled affairs of life, we are hardly conscious of relationships, and are not always in a position to weigh our problems objectively. We observe events, but we do not see movements. It is well, therefore, that we do retire occasionally from the heated conflicts, and view the scene in a rather impersonal, detached way. I express the hope that from this gathering of the bankers of Idaho and their friends some contribution will result. As bankers, we occupy an unique position in this organized, regulated society. It is all the

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*An address by Mr. Adams before the Idaho Bankers Convention, Sun Valley, Idaho, June 7, 1954.

How Are We Doing?

By EDWIN G. NOURSE*
Former Chairman, Council of Economic Advisers

Dr. Nourse names as question marks in the current business outlook: (1) the inventory situation; (2) the consumer's situation; (3) the construction situation; (4) recent price trends, and (5) the interplay of government policy with private action. Holds weapons against depression in the arsenal of government, though impressive, are still untried, but contends new spending by states and municipalities on roads, schools, hospitals, and public works is one of the strongest props maintaining our economy at a high level, when military outlays are being drawn down.

In taking the title "How Are We Doing?" for my remarks today, I had two thoughts in mind. One is that midyear is a good time for taking account of stock to see how our economy is progressing. This is the same idea that led me, as Chairman of the Council of Economic Advisers, to suggest to the President that he have a Midyear Economic Report as well as an Annual Economic Report at the opening of the Congress, which was required under the Employment Act of 1946. July is in many ways as much a check-point as January.

Edwin G. Nourse

The other idea prompting this title was that this phrase in our American slang carries a rather cheerful or confident connotation. When one says, "How'm I doin'?" it generally is not to call attention to his mistakes or difficulties but suggests that he thinks he is doing pretty well. I thought this note would be appropriate to the opening of an analysis of the economic state of the nation in June, 1954. Clearly, we have not done badly in the first half of this year.

At the same time I want to put my cards face up on the table. I know that some of you know that some of my utterances have caused me to be classed as a bit

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*An address by Dr. Nourse, before the Illinois Bankers Association, Chicago, Ill., June 14, 1954.

PICTURES IN THIS ISSUE—Candid shots taken at Annual Field Day of Bond Club of New Jersey appear on pages 23-26 inclusive. SECOND SECTION of today's issue is devoted to recent Annual Convention of the Investment Dealers' Association of Canada.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

DONALD M. HALSTED
President, Donald M. Halsted & Co., Inc., Jersey City, N. J.

Suburban Propane Gas Corporation 5.2% Cumulative Conv. Pfd. Stock, 1952 Series (Par $50)

This is a time when common stock averages are *historically* high. When we consider the virile nature and constant growth of our domestic economy, plus many current inflationary potentials, plus the fact that the dollars in which these averages are expressed will buy much less than 1929 dollars, plus many other factors too numerous to mention here, we are forced to conclude that they may not be *intrinsically* high. Nevertheless, after an almost steady five year climb, at least an intermediate reaction of considerable size and duration might be expected. For current investment, then, it seems wise to look for convertible preferred stocks of growing companies in industries which have good defensive characteristics and in this way to gain a priority in income protection, while hedging as far as possible against a sharp move in either direction for common stocks.

Donald M. Halsted

Such an industry is that of distributing and selling liquefied petroleum gases, commonly known as the LP-Gas industry. Suburban Propane Gas Corporation 5.2% ($2.60) cumulative, convertible preferred, 1952 series, the subject of this article, seems to be such a stock. Issued in November, 1952, for general corporate purposes, it ranks equally as to dividend and asset priority with other series of convertible preferred stock of the company. Having a par value of $50, it is callable at 52 and accrued dividends through Nov. 30, 1956, the call premium decreasing 50 cents a share every two years until Nov. 30, 1962, after which the stock can be called at 50. It may be converted into common at any time before Dec. 1, 1962 at a price of $18.75 per share of common, equivalent to 2.65 shares for each share of preferred, and the rate of conversion is subject to adjustment under certain circumstances as protection against dilution. Although bonds may be issued, no stock ranking prior to this one may be authorized without the approval of two-thirds of the outstanding shares of the stock, voting as a class.

Currently selling Over-the-Counter market at 53, to yield 4.91%, the 1952 series preferred is priced only fractionally above the value of its conversion privilege, as the common is trading at about 19⅞.

Suburban Propane Gas Corp. was organized in late 1945 and acquired the propane gas business of the Suburban Gas Co. in New Jersey, New York and Pennsylvania and of the Philgas Division of the Phillips Petroleum Co. in nine states along the Eastern seaboard. The company reported for 1946, its first full year of operation, that its year-end installations numbered 98,123; 61,200,000 pounds of gas had been sold; total revenues were $5,673,615 and pre-tax net $924,308. Growth has been constant since that time and has been augmented by important acquisitions of other companies; the 1953 report announced that operating territories had become contiguous from the Canadian border through South Carolina. The four categories listed above for 1946 have shown increases each year since that time, 1953 results having been as follows: Installations, 362,309; pounds of gas sold, 349,000,000; total revenues, $28,848,928; pre-tax net, $4,015,675.

Owing to the company's practice of doing a substantial part of its financing through the sale of convertible issues, the last eight years have seen considerable variation in earnings per share of both preferred and common. From 590,000 shares outstanding at the end of 1946, the common increased to 1,082,031 shares as of Dec. 31, 1953. Preferred shares outstanding — all series — were 40,000 in number at the end of 1947, dropped to 11,491 three years later, peaked at 137,800 in 1952 and at Dec. 31, 1953, stood at 106,616. Early in 1954, 26,800 shares of a "1954 series" of convertible preferred and $2,750,000 deb. 4¾, 1969 were issued in connection with the purchase of certain properties in New Jersey and Massachusetts. Since the increase in number of preferred shares to 100,000 in 1951, earnings per share, based on number of shares outstanding at year-end, have been as follows:

1951	$12.69
1952	13.59
1953	19.70

For the first three months of 1954, they were $3.84 vs. $3.51 in the first quarter of 1953.

Due to the convertibility of the preferred into common, the number of shares of the latter outstanding at the end of each year, its earning and dividend rates, are all important to preferred holders. For the past three years they have been as follows:

	1951	1952	1953
No. shs. outst'd'g	843,853	977,083	1,082,031
Earns. per share, aver. no. outstanding	$1.60	$1.80	$1.75
Dividends per sh.	$1.00	$1.10	$1.20

At the end of 1953, Suburban reported total assets of $45,672,120, a figure which had more than tripled in seven years. Long-term debt aggregated $19,177,000 and consisted of four issues of debenture bonds maturing from 1964 to 1968. Working capital stood at $2,559,311, not particularly high, but apparently adequate in view of the relatively stable character of much of the company's business. Stockholders' equity, as reported, stood at $20,362,308, an increase of almost $15,000,000 in seven years.

An important defensive characteristic of Suburban's main business, the distribution of LP-Gas, was mentioned in the prospectus at the time of issuance of the 1952 series preferred stock when it was stated that 88% of its total dollar sales in this field were at retail. Another is the fact that any encroachment on the inner circumferences of any of the company's suburban territories due to extension of gas mains invariably means a population growth which extends the outer circumferences at the same time and usually results in a net gain in number of installations for it.

An industrial stock by definition, a utility by nature, this convertible preferred appears to present an attractive straddle for the purpose of both defense and growth.

This Week's Forum Participants and Their Selections

Suburban Propane Gas Corp. 5.2% Cum. Conv. Pfd.—Donald M. Halsted, President, Donald M. Halsted & Co., Inc., Jersey City, N. J. (Page 2)

Sheller Manufacturing Corp.—Robin L. Winkler, Bernard Winkler & Co., New York City. (Page 2)

ROBIN L. WINKLER
Bernard, Winkler & Co., New York City
Members, New York Stock Exchange

Sheller Manufacturing Corporation

In a recent address before the California Bankers Association, Mr. L. E. Briggs, Ford Motor Co. Treasurer, predicted that by the 1960's sales of new automobiles will reach 8 million cars a year. In addition, he pointed out, that sales during the remainder of this decade would show a gradual rise from about 5 million cars a year.

Robin L. Winkler

The statements made by the Ford Treasurer are not based on idle hopes nor are they sentiments of one solely wishing to promote sales. They are based on the hard facts of population. Todays primary and elementary schools are overcrowded — overcrowded as a result of the sharply increased rate of births following the last war. By the 1960's these babies will be drivers and owners of more and more automobiles.

One company which will be benefiting by the rapidly increasing population of automobile owners is Sheller Manufacturing Corporation, the world's largest producer of steering wheels. Beginning its corporate history in 1916 in Indiana, the company today is a thoroughly integrated and well diversified manufacturing enterprise with operating divisions in Indiana, Iowa, Illinois and Virginia. In addition to the production of steering wheels the company makes a variety of molded rubber products and equipment, much of which is for the automobile and farm machinery industry.

For the quarter ending March 31, 1954, sales were $9,458,000 as compared with $13,203,000 for the 1953 period. Earnings before taxes for the same periods were $1,456,510 and $1,794,942, respectively. Despite the 28% decline in sales, the pre-tax profit fell only 18%. What is of even greater interest, the pre-tax profit in 1954 was 15.4% of sales as compared with 13.6% the year before. These statistics are exemplary of the outstanding performance management has given. Net income after taxes for this first quarter was equal to 71 cents per share — adequate to cover the

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Investment Status of Atomic Energy

By NEWTON I. STEERS, JR.*
President, Atomic Development Mutual Fund, Inc., Washington, D. C.

Mr. Steers characterizes the "civilian brother" of the gigantic military atomic program as a pretty lively infant and one that is growing rapidly. Estimates investments in the various segments of the industry at $459 million. Describes expansion of uranium mining in the U. S. and abroad, and lists uranium company stocks already put upon the market. Says commercial atomic power can be applied for producing electricity at lower cost than coal, but warns use of atomic fission for energy will not bring about a millennium of lower production costs.

Introduction

Investing in atomic energy is now commonplace. It is purely nostalgic now to mutter — "It's years away" or "government monopoly."

Newton I. Steers, Jr.

It is true that atomic power, as distinguished from other phases of atomic energy, is not yet here, so far as electricity for every day use is concerned, though the atomic submarine, launched in January, 1954 utilizes electric power derived from atomic fission. But apart from atomic power we shall see there are substantial other elements in the industry.

It is also true that large portions of the total national atomic program are government monopolies. But again the exceptions are very substantial.

The A-bomb, the H-bomb, the C-bomb are now the major policy determinants in the grim race between lasting world peace and substantial extermination of the human species. Our elected leaders are struggling with the appalling political implications of this extinctive force. Every citizen must feel how crucial are the decisions which approach with such velocity. In the meantime, investment will go on, fortunes will be made and lost, incomes will ebb and flow, at least until the day the H-bombs drop. And these activities will go on despite the concurrent necessity for rearmament.

We need not be deluded into the fallacious supposition that science's gigantic military offspring has no civilian brother. A $459 million industry is a pretty lusty infant by any normal standard, though dwarfed by the $14 billion appropriated ($9 billion spent) by the Federal Government. As will be seen below, the industry is new and varied, but above all it is growing.

Size of the Industry

How do we get this figure for the size of the industry? It is made up of the segments below, roughly expressed in terms of annual gross sales as shown in Table I. Support for these figures *as minima* is given below.

Definition

Atomic energy is capable of so many interpretations that we should digress long enough to point out that we are confining our attention here to the portions of the industry in which it may properly be said a member of the public may invest, with a reasonable chance that his **investment will fare better than the average investment, to the extent that the field of atomic energy undergoes more rapid growth than the average of all industry.**

In the course of the discussion below comments on companies working entirely under cost-type contracts will be made, although no profit can be made on revenues received in such fashion. Such comments are important because companies receiving revenue for work done relating to atomic energy via a cost-type contract, i. e. as reimbursement for expenses incurred, are also receiving **know-how.** Cost-type contractors in many cases are getting the equivalent of advanced degrees for hundreds of their employees, advanced training obtainable in no other way, and at no cost to the company. Such companies are in effect insuring themselves against obsolescence of their present techniques. It is no coincidence that some of the bluest of the blue chips have such con-

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*This material was presented by Mr. Steers to the Joint Committee on Atomic Energy, U. S. Congress, May 11, 1954. Market quotations and information generally contained in this article have been brought up-to-date as of June 21.

Table I

Segments in Which Investments Can Now Be Made

	$ Million
Uranium (thorium, lithium, beryllium, zirconium) mining and processing	325
Processing of radioisotopes	2
Manufacture of radiation instruments	25
Specialized equipment supply	107
	$459

Segments Not Yet Available for Investment

	$ Million by 1963
Commercial atomic power	300
Fission product sterilization of drugs and foods	?

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Articles and News

Additional Articles in Section Two

SECTION TWO of today's "Chronicle," devoted to the 38th Annual Convention of the Investment Dealers' Association of Canada at Jasper Park Lodge, Jasper, Alberta, includes the following articles:

Regular Features

*See Section Two of today's issue which is devoted to Annual Convention of the Investment Dealers' Association of Canada.
†Mr. May's column does not appear this week. He is attending the Migration Conference in Puerto Rico with New York Mayor Wagner's party.

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Making Credit a Household Word

By IRA U. COBLEIGH

Enterprise Economist

A brisk resume of the growth of personal finance, and a particular salute to the 76-year-old pioneer in this industry—Household Finance Corporation.

There was a time when money and credit were of much less consequence than they are today. Three-quarters of a century ago, before soaring industrialization had transformed our economy, living off the land was pretty standard. When the pay check importantly replaced the plow, however, money became more and more significant. Most families managed to get along on salary or wage but every so often there would come an emergency — an operation, an accident, a funeral to be paid for, and the needed extra dough for these crises was, in those earlier days, hard to come by. You had either to put the bite on some well heeled friend or relative, or, failing there, go to some loan sharks who, for a fast 150% a year and a 50% renewal charge, would deliver the agony money.

Ira U. Cobleigh

Birth of Household Finance

These, in capsule, were the conditions when the enterprise which is now Household Finance Corp. began loaning money on personal property in Minneapolis back in 1878. Personal credit at commercial banks was non existent, and unless you were well laced with property or income, there was no welcome mat for you at their loan windows. Mr. Frank J. Mackey, founder of Household, started slowly opening up his offices, first in Minneapolis, then others in St. Paul, in 1883; in Chicago, 1895; and by 1918 there were altogether 33 offices, and customer notes totaling $3 million.

But let's go back a bit. The demand for cash credits in small amounts kept growing and there was a real need for the mass production of credit to correspond with mass production of motor cars and appliances. The dishing out of this essential credit by lupine loan sharks had brought sustained dollar distress to thousands of families, and created the need for legislation to supply and protect the borrower, and regulate the lender. At this juncture, a distinguished philanthropic organization, Russell Sage Foundation attacked the problem, appraised the necessity for mass credit at reasonable cost; and created, in 1916, the Uniform Small Loan Law which set top limit for interest on loans of $300 and less, at 3½% a month. If this seems high to you, remember that this type of credit was regarded as most risky, and much of the experience at the time indicated high costs of collection, and a high percentage of defaults.

The passage of Uniform Loan Laws (patterned after the Russell Sage one) in many states, and resultant burgeoning of small loan companies have shown the wisdom and vision of this legislation; and set in motion techniques of loan screening and installment repayments that prove, to an amazing degree, the essential integrity of our fellow citizens. There are today about 1,700 small loan companies, operating in 34 states, with outstanding personal notes due them totaling well over $1½ billion; and, based on experience, over 98% of those loans and attendant interest charges will be paid. A majority of these loans are not secured by furniture or other collateral—just by signature—either single borrowers, or man and wife together.

Household's Progress

With this brief background of the industry let's now view in particular the progress and the potential of its acknowledged leader, Household Finance. By any standards, it's quite a company. Seventy-six years in business, it has paid dividends, without hiatus, since 1917. It has expanded intelligently, and by design, until it now has over 600 offices in the U. S. and Canada (the Canadian field is growing rapidly and now accounts for 25% of the business). In 1953, HFC made almost two million individual loans for a total of over $600 million. By a strange coincidence, the average 1953 loan was $323, which equalled exactly the average monthly income of the borrowers—$323! Average repayment was made in 17 months.

We talked, a moment ago about percentage of bad loans. Well, HFC has a reserve of 4.85% of total loans, for bad or write off loans. The provision for losses in 1953 was 1.36% of average loans outstanding during the year. This figure, based on results of recent years, is conservative. In the company's worst year, 1933, 6% of loans were written off, but so forthright are our fellow citizens that hundreds, although down on their luck in the early 30's, in later (and better) years settled up loans (actually written off) on which they had had to default. That's an amazing tribute to the honor and honesty of Americans. And for HFC, these windfall repayments actually produced years in which there were no net losses at all. Instead, a plus percentage!

The borrowers at HFC come from every walk and talk of life — tradespeople, professionals, farmers, married and single. Quite frequently too, some upper bracketeers drop in to make a loan, perhaps out of a habit carried over from their less palmy days, but more often because they like the promptness, convenience and efficiency of HFC money delivery. At all events, the HFC family of borrowers is growing and the money is put to good purpose—for debt consolidation, emergencies, home repairs, taxes or medical bills. The rates have gone down as loan size increases—standard practice today being around 3% a month on $100 or less reducing to as low as ½% a month on amounts above $300 in some states.

That brings up another point receiving considerable current attention in many states. Should these loans be accompanied by term life insurance to pay off the balance if the breadwinner passes on before maturity (of the loan, not the maker)? There has crept in, in certain states, a practice of charging $1 to $2 per hundred for life coverage. HFC believes there should be no extra charges like this. One rate should include everything, and if there is to be insurance, it should be without extra charge to the borrower.

We have dwelt at some length on the favorable relations of HFC and its clients. That's important, as good will is a terrific factor in this business. Some of that good will can be attributed to HFC's consumer education program. Its booklets and filmstrips on almost every phase of family money management have been widely used in schools and colleges for over 20 years.

A "Blue Chip"

We should also mention that HFC has been, and is, a fine earner. Its net income was $15,776,006 in 1953, equal to 4.27% of the average assets employed during the year. After paying interest on long-term borrowed capital of $170 million (1953 year end) and dividends on $29,200,000 of preferred stock, there remained $4.70 per share for the outstanding shares of common. Common shares are heavily owned by employees and management, and holders have received excellent treatment throughout the year, dividend-wise. Since the war the stock was split 3-for-1 in 1945, and 10% stock dividends were paid in December 1949, and March 1953. Common is listed on the N. Y. Stock Exchange where it is regarded as the blue chip in its field. It sells around 53, paid $2.40 last year for an indicated yield of 4½%.

Small loan companies like HFC do not, of course, have the whole field to themselves as they did in 1916, although one family out of seven will call upon some small loan company this year. Increasingly, personal loan departments in commercial banks are expanding, but these, for the most part, handle larger units of credit, and lack the many years of experience and special personalized techniques of the trained branch managers and personnel of such as HFC. And there's plenty of room for all. Money is the most popular commodity in the world, and those who dispense it with courtesy and dispatch at the lowest charges to cover costs, and still yield a reasonable profit, will always have a place in our scheme of things. HFC surely qualifies on these grounds. Its management echelon is composed of men who believe in their company, are sizable stockholders themselves, and have devoted a major portion of their business lives to HFC progress and prestige.

A word about the future. Consumer loan, and installment sales credit (for purchasers of cars, appliances, etc.) together, stand today above $27 billion. There is no evidence that this is excessive, but every indication that this credit, intelligently granted and effectively used, is a dynamic factor in our economy. Credit has indeed become an indirect form of thrift since it compels saving for prompt payment; and every reduction of debt is an increase in assets. And in its own special field of endeavor, Household Finance has pioneered in the functional deployment of mass credit, and instilling in its clientele almost a ritual of repayment reliability. HFC has indeed made Credit a Household word, for borrower and security holder alike.

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

A moderate rise was evident in total industrial production for the nation-at-large in the period ended on Wednesday of last week, but output continued to hold at about 10% below that of the corresponding week in 1953.

With respect to the nation's employment situation, new claims for unemployment compensation filed in 12 key states showed a minor rise in the week ended June 12, following four successive weekly declines. They advanced to 186,739, up 193 from the 186,546 reported for the preceding week, the low point for the year.

Continued claims for unemployment insurance benefits in the week ended May 29 decreased by 5% from the preceding week, and initial claims in the week ended June 5 decreased by the same percentage from the level of the previous week. The improved situation was attributed to better conditions in the automotive, apparel and textile industries.

A stiffening attitude by the United Steelworkers of America (CIO) threatened to dash hopes for a quick agreement on a new steel wage contract, "The Iron Age," national metalworking weekly, stated this week.

It was clear that recent improvement in business has strengthened the union's hand as negotiations reached the showdown stage. but last minute maneuvering threatened to stall management's bid for an early agreement. Further, David J. McDonald, United Steelworkers President, proved himself a tough bargainer by rejecting a management offer calling for an improved pension program but no wage increase.

This increased the chances of a strike, although more than a week remained in which to work for agreement before the current contract expires June 30.

It was still expected that the agreement would eventually comprise a wage "package" costing about 5c to 8c per hour. This would be followed by selective increases in steel prices averaging $2 to $3 per ton. Some steel items would likely be raised much more than that and some perhaps not at all, this trade weekly asserted.

Steel producers are conscious of the highly competitive market and customer resistance to higher prices. But they also feel the pressure of costs. And they remember that under price controls during the Korean War they were forced to obsorb substantial wage costs. It was not until price controls were lifted early last year that steel prices were brought into line with costs, this trade authority declared.

It should be pointed out that steel users have benefited from substantial steel price cuts during the past nine months, even though the industry's base prices have remained relatively stable. Competition has forced some steel companies to absorb freight charges, trim extra charges and eliminate premium prices, where they existed.

"The Iron Age" estimates that freight absorption alone has been costing steel companies at the rate of well over $50 million a year.

The automotive industry is paring its daily output rate of cars 6% below May for the first decline of the year, states "Ward's Automotive Reports." United States car production thus far in June, it adds, is averaging 23,093 units daily against 24,700 in May and 24,244 during April. In January the rate was 22,838 cars a day.

The statistical agency said, however, that the decline is seasonal and noted that car output is trending toward 508,000 units in June, above May's 494,210 because of two extra work days available.

"Ward's" said Chrysler Corp. is sparking industry production with a rise to 13% of the industry total thus far in June from 11.9% in entire May.

Plymouth this month, is operating at its highest level since early January, while Dodge last week resumed five-day operations following three short work weeks.

"Ward's" said Chrysler Corp. is the only Big Three member to increase its car output share this month. General Motors Corp. is running at 52.6% of total industry volume against 54.3% in May. Ford Motor Co. is at 30.2% against 30.5% last month.

The statistical agency estimated the past week's output at 135,655 cars and trucks against 133,704 last week. A year ago the count was 158,738 units.

For one of the few times this year, all 18 United States car

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The Economic Picture at Mid-1954

By EMERSON P. SCHMIDT*
Director of Economic Research
Chamber of Commerce of the United States

Asserting maintaining prosperity is our most important single domestic problem, Dr. Schmidt points out this task has been eased by progress in our understanding of the business cycle. Warns, however, despite economic research and forecasting, no one can be sure where we are moving, since there are contractive as well as expansionary forces present. Stresses prevailing strong basic business confidence as supporting future growth, and gives statistical data on current economic situation. Refers to presence of built-in stabilizers and bulwarks against depression.

In mid-1954 the forces of expansion and contraction are roughly in balance. The basic economic indicators appear confused and confusing, moving in opposite directions. We have moved from the Korean war superboom to prosperity! But we are in a readjustment.

Emerson P. Schmidt

The maintenance of prosperity is our most important single domestic problem. If we can achieve this goal, then all other domestic problems will be manageable and relatively simple. In terms of both individual well-being and national security, sustained high levels of productive employment and business are of top importance.

Tremendous progress has been made in our understanding of the business cycle and economic fluctuations. A veritable revolution has occurred on two fronts: (1) Due to intensive study and analysis, economists, since the 1920's, have made enormous progress in diagnosing the anatomy of the problem (and diagnosis must precede prescription); (2) This understanding has extended to many citizens. As Arthur F. Burns, Chairman of the Council of Economic Advisers, said in his Columbia University Bicentennial Conference address: "Since 1929 this knowledge of the few has become the knowledge of the many."

This does not mean that students always agree on the meaning of events, or on the proper prescription. (But such diversity is not confined to economists and their subject matter!)

*An address by Dr. Schmidt, before the National Association of Retail Grocers, Washington, D. C., June 13, 1954.

Where Are We?

Considering the enormous dislocations growing out of depression-World War II-Korean War—either we have been remarkably lucky or remarkably wise. Since the end of the Great War we have had nearly substained boom and prosperity in spite of the enormous churning around of our economy, the constant dislocations, the major shifts in public policy and the great fears and uncertainty.

This long period of sustained prosperity could endanger us by encouraging complacency and generating a false diagnosis, "We have licked the cepression problem." Actually, in the past, all booms have come to an end.

As we size up the situation in mid-1954, no one can be sure where we are moving. If we gathered the 10 wisest businessmen, or economists, or government officials, they still would not have the power to peer into the future and report with certainty or accuracy. Indeed, forecasting is dangerous and hazardous. Forecasting is not much of a science, although it has a scientific methodology.

Professor James H. Lorie of the University of Chicago made this disarming statement:

"It is probably surprising to laymen and even to some professional economists to realize that most forecasting schemes do not prove to be superior in practice to so-called 'naive' models which assume that current sales will continue into the near future unchanged, that a very recent rate of change will continue into the future, or that some simple unrationalized mode of behavior will be manifest. Fortunately or unfortunately — depending upon whether one seeks simple forecasting techniques or evidence of the wisdom of competence of the economic profession—these naive models have fore some kinds of economic forecasting and for many individual firms seeking to forecast their own sales proved superior to the most intricate and labored of the methods of the trained economist or econometrician."

Such talk is salutary. Indeed, there seems to be at work an economic law ofthe necessity and the inevitability of errors in forecasting. This is understandable. A forecast widely heard and widely accepted, sets in motion compensatory reactions. Even if a forecast at the given moment is quite valid and correct, the forecast itself may be upset by the reactions to it on the part of government, or of business management, or of consumers.

Furthermore, our world is full of the unforeseeable, the unforeseen, and of surprises. For these, policy makers need always be ready and alert.

Business and economic forecasters approach the subject with humility. In spite of the feebleness of the art of forecasting, every businessman must forecast in terms of his inventory and procurement policies, his price, capital budget, and expenditure policies. (Indeed, even the most humble consumer with a modest income must husband his resources by going through this same appraisal and judging process.)

Contractive and Expansionary Forces Always Present

It is rarely possible to identify major weaknesses or new sources of strength and expansion in our economy in advance. But they are always present. Such elements of strength have steadily been forthcoming since 1945 in spite of the gloomy predictors.

Today, more of the economic indicators are pointing down than are pointing up. The eight "predictive" indicators of the National Bureau of Economic Research are evenly divided as to direction. The same is true of the eight "coincident" indicators, and all but one of the "lagging" indicators are pointing down. Nevertheless, it is difficult to find any evidence that points to serious contractive forces. The balance of 1954 should be prosperous. The year as a whole, not quite as good as 1953, is likely to be our second best year in history in terms of total employment and general economic activity.

The contractive forces are weakened, fortunately, by the highly favorable longer-range outlook. L. L. Colbert, President of the Chrysler Corporation, made this observation:

"There was a time when the amount of bearish talk we have heard in recent months would have been enough to send the economy into a tailspin. All bets about the future would have been called off. Plans for business expansion would have been cancelled. But what do we actually find today? Business is confident. It is looking beyond the adjustments of the present to long-range prosperity. . . ."

There is a basic business confidence today stronger than at any time in nearly a generation. This encourages foward planning. The idea of *growth* is now deep-seated and almost universal. The idea that capitalism is washed up, and the stagnation thesis of Havard University's professors, Alvin H. Hansen and Seymour Harris, are all but dead, even though Professor Benjamin Higgins and a few other Keynesian "echos" are doing what they can to keep the stagnation thesis alive. The strong upsurge of population and the unprecedented growth of industrial science, research, new product development, development of new raw materials and new uses of other raw materials, are changing the entire social, political and economic climate. The idea of "bigger" and "more" is now the foundation stone of American planning.

Thus, even if we confront a dip, recession, pause or plateau in the short-run, the longer-run is viewed more favorably. A small readjustment and hesitation in sales or production no longer translates itself into business "holing-in." We have considerable evidence in the periodic "business plans to invest" that here a new factor has been catapulted into our economy. It is "popular" for a company to have a long-range capital budget. No doubt, if contraction continued for a longer time, this favorable new factor would weaken or even cease. Complacency is never justified.

An Unorthodox Recession

Historically, periods of business adjustment have been characterized by closely parallel declines in basic commodity prices. Thus, in the 10% dip recorded by business in 1948-1949, the index of wholesale commodity prices of the Bureau of Labor Statistics also receded nearly 10%. In the current readjustment period, with physical production as measured by the FRB index off 10% from a year ago, commodity prices have *advanced* about 1%, a surprising display of stability as shown in the following table:

COMMODITY PRICES, WHOLESALE
(1947-49=100)

	1953 June 6	1954 June 5
All commodities	*100.8	110.8
Farm products	*97.8	98.9
Foods, processed	*104.3	106.3
All other	*113.6	114.3
22 commodities	88.1	93.0

*Monthly index for May 1953.

The case for flexible, declining prices when markets soften, so as to cut off "weaker" supplies and stimulate demand, has been carefully re-examined in recent years as a depression cure. While prices always need to be flexible and adaptive, the cumulative spiral of rapidly-breaking-price-structures, also increases spending timidity and hoarding. This is an area in which economists are uncertain and unagreed. The prescprition needs close adaption, case by case.

The stability of commodity prices in recent months, however, has contributed greatly to the orderliness of the readjustment so far. Industries operating substantially below their capacity have nevertheless maintained reduced but respectable profit margins, which, in turn, have encouraged the maintenance of capital expenditures at a high rate.

Consumer prices, as measured by BLS, declined by less than 1% from their peak of October—from 115.4 to 114.8, although the figures do not reflect fully the flood of special sales, discounts, higher trade-in allowances, premiums, etc.

Thus, the general over-all price stability does not symbolize a flight from goods to cash, or disorderly marketings, or spending timidity—in the face of the recession or dip which we have at mid-year.

So far, in 1954 economic contraction ranges from a "3% affair" to a "0% affair"—depending on which economic indicator is emphasized, or one's interpretation. This is shown by the data in table I.

If we compare the most recent 1954 data with the data for the same period of last year, some contraction is indicated. But in the first half of last year we were still at war in Korea. The super war boom reached its peak in the second quarter of 1953.

If we compare the most recent data with 1953 as a whole, and particularly with 1952, we can see that we are still in high prosperity. Only farm income, among the major items, is down substantially.

Disposable income — income after income taxes—was actually

Continued on page 30

TABLE I

	Basic Indicators 1950	1952	1953	Comparable Period 1953	1954
Gross National Product (billions)	$287.0	$348.0	$367.0	$364.0	$358.0
Industrial Production (FRB)	112	124	134	137	125
New Private Construction (billions)	22.7	23.4	25.1	25.0	26.4
New Plant and Equipment (billions)	20.6	26.5	28.4	28.9	26.8
New Housing Starts (millions)	1.4	1.1	1.1	1.1	1.2
National Income (billions)	241.0	292.0	306.0	306.7	299.5
Compensation of Employees (billions)	153.0	193.0	207.6	204.5	205.1
Corporate Profits Net (billions)	22.7	18.6	19.0	20.3	18.0
Disposable Personal Income (billions)	206.0	235.0	248.0	245.4	240.8
Money Supply (billions)	176.9	194.8	201.3	192.2	197.3
Farm inc., monthly average (billions)	$2.384.0	$2.721.0	$2.599.0	$2.020.0	$1.914.0
Consumer Prices (1947-49=100)	102.4	113.5	114.7	113.7	114.6
Wholesale Prices (1947-49=100)	103.1	111.6	110.1	109.5	110.5

"OBSERVATIONS"

A. Wilfred May's Column does not appear this week. Mr. May is attending the Migration Conference in Puerto Rico with New York Mayor Wagner's party.

What's Ahead for American Business?

By HON. SINCLAIR WEEKS*
Secretary of Commerce

Secy. Weeks, asserting answer to business outlook depends on outcome of President Eisenhower's program now before Congress, describes a broad plan of action, designed first, to prevent the current mild recession from snow-balling into a depression and, secondly, to construct a base for a long period of growth and prosperity. Decries the complaints that millenium isn't speeding fast enough, but points out progress, though slow, is being made to stimulate business activity and to make jobs. Accuses group of New Dealers, labor agitators, and professional radicals of deliberately trying to scare the country into a depression.

The answer to what's ahead for American business depends to a great extent on President Eisenhower's program now before the Congress.

Sinclair Weeks

That program, I sincerely believe, is the most comprehensive, the most effective from an economic standpoint, the most powerful and should be the most politically acceptable program ever offered the American people. Its economic aspects comprise a broad plan of action, designed first—to prevent the current mild readjustment from snowballing into a depression and second—to convert this readjustment—once again on the upswing—into the base for a long period of substantial growth and great prosperity.

I shall discuss this program and also attempt to spell out some of the things we have been attempting to do. The record is but a prelude to what we hope to produce as we go along with our program.

Complaints Against the Administration

Let me point out very frankly, however, that there are in the country today potent advocates of two different courses, each utterly antagonistic to the other, who sharply complain of the methods we are using.

One group objects because the millennium isn't speeding fast enough to suit them.

Recently, a representative of this group, a Republican of substance and influence, remarked to one of us, "Don't count on me for any more support. I can't stomach what you fellows are doing in Washington. You haven't balanced the budget. You're still interfering with private industry. In fact, you behave like a bunch of New Dealers—a little bit cleaner but just about as pink."

I think perhaps if some of this group would take more time to find out exactly what we have faced and exactly what we have been doing about it, they might see things in a slightly different light. For their benefit I shall attempt to spell out a few of the facts of life as I and others have found them in the Washington of today.

There is another group which does not approve of our current course—the left wingers, whose spokesmen still crawl about Washington advocating their old brand of radical vote-catching schemes.

The spokesmen of this group continue their falsehoods about business, their vicious appeals to class hatreds and long for the day when they can once more fasten controls on our economy and renew their march towards the completely regimented society.

We were sent to Washington to bring honesty and efficiency to the conduct of the government and we found much to do. To those impatient for progress I would say that after proceeding for 20 years on the road to socialism—you can no more abruptly change a course of this character than you can abruptly take from a dope addict the drug which eventually will destroy him.

You have to taper off—set a course—and hope to make steady progress in the right direction. But progress is the important factor to watch for, always assuming it is the right direction.

I often ask myself what should government do for the welfare of the nation and its people. Lord Macauley, the English historian, once said: "Our rulers will best promote the improvement of the people by strictly confining themselves to their own legitimate duties—by leaving capital to find its most lucrative course, commodities their fair price, industry and intelligence their natural reward, idleness and folly their natural punishment—by maintaining peace, by defending property, and by observing strict economy in every department of the state. Let the government do this—the people will assuredly do the rest."

Subject to some changes wrought by time in this uneasy world we live in, the fundamental facts stated by Macauley are still true.

Basically government has to preserve peace and plan so that our people may be prosperous and well off. Specifically we have our foreign relations and the preservation of the free world to plan for on the one hand and internal security and a sound stable government to provide on the other.

This Administration believes in private enterprise and a free economy but is is unrealistic to believe that government either can or should keep to a completely hands off policy. The government can control and regiment—as has been the case for 20 years, or the government can—while interfering as little as possible—do those things which will encourage and stimulate our system to the point where it will work to the bast advantage of all concerned.

Security Measures

First a word as to security.

One of the greatest dangers to internal security is subversion. Our home-grown Communists, echoing their Moscow masters, are trying to start a depression. They have infiltrated some industrial organizations and labor unions. The danger of sabotage and theft of secrets in defense plants is an ominous fact.

The record shows that the Executive Branch of the government is doing the best job in history—past and present—in rooting out the devil. Because this cleanup is being done without fanfare, most Americans, diverted by other voices, have no conception of the Administration's unmatched record.

Here in brief is the box score since Jan. 20, 1953: 1 person convicted of treason and 2 of espionage; 41 Communist leaders convicted and 20 more indicted; 24 citizens with subversive records being denaturalized; 34 alien subversives deported and 268 more undesirables on the way; 62 new groups added to the Justice Department's list of subversive outfits making a total of 255.

Since certain legal local loopholes permit Communits to escape and to continue treason, the Administration is recommending to Congress a list of tougher measures to deal with Communists in defense plants, saboteurs and other security risks and to take citizenship away from traitors.

I repeat, the record proves that no other agency or individual in government is doing as much or as well or as fast to get rid of Communists as Herb Brownell and J. Edgar Hoover.

By reducing expenses and other constructive action, we are making progress toward a balanced budget. We are cutting taxes by more than $7 billion and 2/3 of these tax savings go to consumers. It is the biggest tax cut in history.

We are getting the government out of competition with private industry. We are creating a climate favorable to business enterprise and, through services of Commerce and other agencies, helping business to help itself. We are embarking on the biggest highway program in history.

All of these factors stimulate business activity and make jobs.

Foreign affairs is not my field, but I would leave just a word with you. There is much to be troubled about but much to be pleased over.

In our bipartisan foreign policy we have been trying to build a cooperative peace. The end of bloodshed in Korea is an example of success in the endeavor.

So are economic and military aid for the defense of free nations and the diplomatic conferences in which Secretary Dulles has advanced unity with our friends. All have strengthened our national security.

We stand firm on the great moral principles which Americans cherish. For only by holding fast to these fundamentals can we be worthy of world leadership, protect our country and hope for a just and lasting peace.

I have described accomplishments already attained and more to come—planned to provide vigorous support for investment and business confidence. The Administration's program to strengthen the floor of security for the individual, is, in addition to its humanitarian features, part of the overall program essential for economic stability and growth.

Logic proves that if to an individual's worry about war and bomb destruction, there is added the extra fear of want from misfortune, a condition is permitted that is ripe for demagogues to use to the ultimate detriment of the country.

No observant businessman is blind to the record that elsewhere in the world business was badly hurt and in some places utterly destroyed when economic alarms were exploited by fanatical nationalism, fascism, socialism and Communism.

But individual security legislation is more than anti-communist defense. The Administration sponsors the extension of Old Age and Survivors Insurance coverage to 10 million more persons, the strengthening of unemployment insurance systems, and measures to bring health and medical programs within the grasp of more people.

Business Confidence

And here is another reason why we do it: The confidence of businessmen is one of the greatest driving forces in our economy. Did they not anticipate a bright future, they would not now be spending $27.1 billion for plant and equipment. They had no such faith in the depression era. In fact, in 1939, six years after the deep point, they spent only $5½ billion for such purposes.

The economy will be strengthened if the confidence that smart businessmen show can be spread to other people, too.

Worry over lack of safeguards against overwhelming personal disaster and poverty in old age affects not only the victims but observers who are afraid similar trouble may reach them, too. It produces a self-interest fear psychology that postpones buying. But a reasonable relief from anxiety circulates confidence and increases productivity and stable consumer spending.

What of business prospects?

For political gain and for no other reason a considerable group of New Dealers, labor agitators and assorted professional liberals and radicals have been and are deliberately trying to talk and scare the country into a depression—if you ask me, a pretty sordid way to attempt to make political capital.

The song of these people has recently been changed. Unemployment rolls for two successive months have been dropping. The rate of industrial production (Federal Reserve Board Index) has started upwards in May for the first time since last summer. Construction is well ahead of 1953 and in May contract awards (Dodge figures) ran 24% ahead of May, 1953. Confidence — because so much of what an individual buys is postponable — and hard selling are the ingredients necessary for a complete resumption of our forward move in business.

Aims of Administration

This program the Administration has presented assures:

First, that government will get out of business, and that bureaucrats will get out of businessmens' hair.

Second, it assures that expenses and taxes will be reduced so that the people may have more of their own money to spend.

Third, it assures that the tax system will be remodeled so as not to penalize the saver and the investor, and that the tax system will be used not to reform our social system but to gather taxes, and

Fourth, that our money shall be sounder and stronger.

Finally, a word about my Chief Dwight D. Eisenhower, a very great American. His complete integrity, his sound common sense and his great courage, are making an increasing imprint on the American people. Above all things he is devoted to one thing—and one thing alone—the welfare of the American people.

His every approach paraphrases the statement of George Washington at the Constitutional Convention:

"If to please the people we offer what we ourselves do not approve, how can we later justify our work? Let us raise a standard to which the right and the just can repair. The event is in the hand of God."

There, gentlemen, is a leader. If the American people will but follow him, they will have their best and maybe their last chance for peace, happiness and prosperity.

*An address by Secy. Weeks at the Flag Day Luncheon of the Economic Club of Detroit, Detroit, Mich., June 14, 1954.

Dollar Gap Shrinking

Dr. Marcus Nadler, Consulting Economist to The Hanover Bank, New York City, in report points out our current business readjustment is not now materially affected by the financial position of rest of world.

In a report on "The Shrinking Dollar Gap" published by The Hanover Bank of New York, Dr. Marcus Nadler points out the dollar gap has been narrowed and may disapper entirely in the foreseeable future and the current business readjustment here is not materially affected the financial position of the rest of the free world.

Marcus Nadler

"In the last few years," Dr. Nadler states, "the productive capacity of the free world countries has increased materially and their dependence on the United States has diminished." In fact, he continued, the leading industrial nations of Western Europe have maintained business activity at a high level, enlarged their exports and increased their gold and dollar holdings in the face of a decline in U. S. business activity.

Meanwhile, wages in the United States are higher than in the industrial nations of the free world.

"The competitive position of many free countries has improved with the gradual increase in productivity and efficiency of production," Dr. Nadler said. "This is particularly true in manufactured goods that cannot be produced on a mass production basis and where the element of labor involved forms an important part of production costs.

"If this trend should continue, United States manufacturers of such products may not be able to compete as effectively as before in the world's markets. At the same time it is evident that the expanding economy of the United States will rely more and more on imported raw materials and certain foodstuffs. Under these circumstances the excess of exports of the United States should decline."

Composition of our import trade has changed considerably in recent years, Dr. Nadler holds. Commodities which in the past were exported in substantial quantities now are being imported to an increasing extent. He cited fuel oil, iron ore, copper, lead, zinc, aluminum and wood pulp as examples.

"Therefore it is not impossible," he concluded, "that in the not distant future the trend of foreign trade of the United States may change and assume a character better suited to the creditor position of the country. Such a development would be of historical and world significance."

New Sandeen Branch

FREEPORT, Ill.—S. A. Sandeen & Company, of Rockford, Ill. has opened an office in Freeport, Ill. at 602 State Bank Building. This new office will be under the direction of Myrl D. Maynard.

Joins Dempsey-Tegeler Co.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Cletus E. Byrne, Jr. is now with Dempsey-Tegeler & Co., 407 North Eighth Street, members of the New York and Midwest Stock Exchanges.

Joins Reid, Higbie Co.

(Special to THE FINANCIAL CHRONICLE)

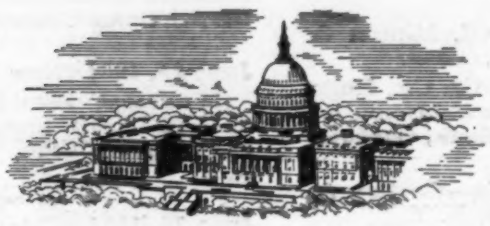
HOWELL, Mich.—William A. Lockwood has become associated with Reid, Higbie & Company.

New Issues

$93,510,000
New Housing Authority Bonds

The Bonds of each issue will be secured by a first pledge of annual contributions unconditionally payable pursuant to an Annual Contributions Contract between the Public Housing Administration and the Local Public Agency issuing said Bonds in the opinions of bond counsel. Said annual contributions will be payable directly to the fiscal agent of said Local Public Agency in an amount which, together with other funds of the Local Public Agency which are actually available for such purpose, will be sufficient to pay the principal of and interest on the Bonds when due.

The United States Housing Act of 1937, as amended, solemnly pledges the faith of the United States to the payment of the annual contributions by the Public Housing Administration pursuant to the aforesaid Annual Contributions Contracts.



Quotation from an opinion of the Hon. Herbert Brownell, Jr., Attorney General of the United States, to The President of the United States, dated May 15, 1953:

"IN SUMMARY, I AM OF THE VIEW THAT: * * * A CONTRACT TO PAY ANNUAL CONTRIBUTIONS ENTERED INTO BY THE PHA[1] IN CONFORMANCE WITH THE PROVISIONS OF THE ACT[2] IS VALID AND BINDING UPON THE UNITED STATES, AND THAT THE FAITH OF THE UNITED STATES HAS BEEN SOLEMNLY PLEDGED TO THE PAYMENT OF SUCH CONTRIBUTIONS IN THE SAME TERMS ITS FAITH HAS BEEN PLEDGED TO THE PAYMENT OF ITS INTEREST-BEARING OBLIGATIONS."

1 Public Housing Administration. 2 United States Housing Act of 1937, as amended.

Interest Exempt, in the opinion of counsel to the Underwriters, from Federal Income Taxes by the provisions of the United States Housing Act of 1937, as amended.

Legal Investments, in the opinion of counsel to the Underwriters, for Savings Banks and Trust Funds in New York and certain other States.

Bonds Issued by Local Public Agencies which are, or are located in:

2¼% Scale A

$1,855,000 Beaver County, Pennsylvania
1,150,000 McKeesport, Pennsylvania
2,255,000 Mercer County, Pennsylvania

2¼% Scale B

$3,340,000 Stamford, Connecticut
2,355,000 New Bedford, Massachusetts
5,700,000 Cincinnati, Ohio
5,785,000 Cleveland, Ohio

2¼% Scale C

$12,105,000 Nashville, Tennessee

2⅜% Scale C

$13,575,000 Los Angeles, California
1,780,000 Plainfield, New Jersey
1,790,000 Trenton, New Jersey
31,800,000 Dallas, Texas

2⅜% Scale D

$2,360,000 Maricopa County, Arizona
1,535,000 Monroe, Louisiana
3,030,000 Bayonne, New Jersey
3,095,000 Union City, New Jersey

Maturities, Rates, Yields and Prices

	Scale A 2¼%	Scale B 2¼%	Scale C 2¼% & 2⅜%	Scale D 2⅜%
1955	.75%	.75%	.75%	.75%
1956	.90	.90	.90	.90
1957	1.00	1.00	1.00	1.00
1958	1.10	1.10	1.10	1.10
1959	1.15	1.15	1.15	1.15
1960	1.20	1.20	1.20	1.25
1961	1.25	1.25	1.25	1.30
1962	1.30	1.30	1.30	1.35
1963	1.35	1.35	1.35	1.40
1964	1.40	1.40	1.40	1.45

	Scale A 2¼%	Scale B 2¼%	Scale C 2¼% & 2⅜%	Scale D 2⅜%
1965	1.50%	1.50%	1.50%	1.55%
1966	1.55	1.55	1.55	1.60
1967	1.60	1.60	1.60	1.65
1968	1.65	1.65	1.65	1.70
1969	1.70	1.70	1.70	1.75
1970	1.75	1.75	1.75*	1.80
1971	1.80	1.80	1.80*	1.85
1972	1.85	1.85	1.85*	1.90
1973	1.90	1.90	1.90*	1.95
1974	1.95	1.95	1.95*	2.00

	Scale A 2¼%	Scale B 2¼%	Scale C 2¼% & 2⅜%	Scale D 2⅜%
1975	2.00%	2.00%	2.00%	2.05%
1976	2.00	2.05	2.05	2.10
1977	2.05	2.10	2.10	2.15
1978	2.10	2.15	2.15	2.20
1979	2.15	2.20	2.20	2.25
1980	2.20	@ 100	2.25	2.30
1981	2.20	@ 100	2.25	2.30
1982	@ 100	@ 100	2.30	2.35
1983	@ 100	2.30	2.30	2.35
1984	@ 100	2.30	2.35	2.40

	Scale A 2¼%	Scale B 2¼%	Scale C 2¼% & 2⅜%	Scale D 2⅜%
1985	2.30%	2.35%	2.35%	2.40%
1986	2.30	2.35	2.40	2.45
1987	2.30	2.40	2.40	2.45
1988	2.35	2.40	2.45	2.50
1989	2.35	2.40	2.45	2.50
1990	2.35	2.45	2.50	2.55
1991	2.35	2.45	2.50	2.55
1992	2.35	2.45	2.50	2.55
1993	—	2.45	2.50	2.55
1994	—	2.45	2.50	2.55

and accrued interest

* Yields to first call date on Scale C on maturities indicated, except Nashville, Tennessee and Trenton, New Jersey.

The Bonds of each issue will be callable ten years from their date at a call price of 104 and accrued interest, and thereafter, at the times and call prices, as stated in the Offering Prospectus.

The Bonds are being offered, subject to award, when, as and if issued and received by us, and subject to approval of legality, with respect to each issue, by bond counsel to the underwriters. The offering is not made hereby, but only by means of the Offering Prospectus, copies of which may be obtained from such of the undersigned and other underwriters as are registered dealers in this State.

Phelps, Fenn & Co. **Lehman Brothers** **Blyth & Co., Inc.** **Harriman Ripley & Co.** Incorporated **Smith, Barney & Co.** **Shields & Company** **The First Boston Corporation** **Goldman, Sachs & Co.** **R. W. Pressprich & Co.**

Drexel & Co. **Eastman, Dillon & Co.** **Equitable Securities Corporation** **Merrill Lynch, Pierce, Fenner & Beane** **Stone & Webster Securities Corporation** **White, Weld & Co.** **Bear, Stearns & Co.** **Union Securities Corporation**

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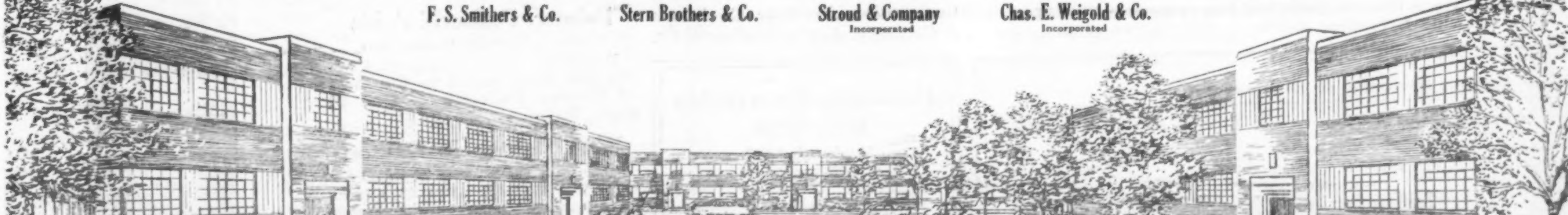
Hallgarten & Co. **E. F. Hutton & Company** **W. E. Hutton & Co.** **McDonald & Company** **Laurence M. Marks & Co.** **Roosevelt & Cross** Incorporated

F. S. Smithers & Co. **Stern Brothers & Co.** **Stroud & Company** Incorporated **Chas. E. Weigold & Co.** Incorporated



June 23, 1954

Dealer-Broker Investment Recommendations & Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Canada—Monthly commercial letter containing articles on Canadian business and industry—Business Development Department, The Canadian Bank of Commerce, 25 King Street, West, Toronto, Ont., Canada.

Canadian Common Stocks—Analysis—Wood, Gundy & Co., Inc., 14 Wall Street, New York 5, N. Y.

Canadian Economy—Monthly business review—Bank of Montreal, Montreal, Que., Canada.

Canadian Review—Monthly review discussing Canadian financial affairs in relation to world trends — The Bank of Nova Scotia, 44 King Street, West, Toronto, Ont., Canada.

Canadian Trends—Business and economic trends in Canada reviewed in monthly bulletin—Ross, Knowles & Co., Ltd., 330 Bay Street, Toronto, Ont., Canada.

Convertible Bonds—Discussion with particular reference to **Wheeling Steel, Southern Production, International Minerals & Chemical, Canadian Pacific Railway, Standard Coil Products** and **Commercial Credit**—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y. Also available is a report on **American Viscose Corporation** and **United States Pipe & Foundry.**

"The Eligible Book"—Preferred and common shares listed on the Toronto and Montreal Stock Exchange considered eligible for investment by Canadian Life Insurance Companies—Cochran, Murray & Hay, Dominion Bank Building, Toronto, Ont., Canada.

Industrial Opportunity in Canada—Booklet—Superintendent of Foreign Business, Imperial Bank of Canada, Toronto 1, Ont., Canada.

Industry and the Atom—Revised edition—for banks, brokers and dealers—Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y.

Investment Opportunities in Japan—Circular—Yamaichi Securities Co., Ltd., 111 Broadway, New York 7, N. Y.

Japanese Industry — Analysis of outlook — in Monthly Stock Digest—Nomura Securities Co., Ltd., 1-1 Chome, Nihonbashi-Tori, Chuo-ku, Tokyo, Japan, and 61 Broadway, New York 6, N. Y.

Japanese Spinning Companies—Data in current issue of weekly Stock Bulletin—The Nikko Securities Co., Ltd., 4, 1-chome, Marunouchi, Chiyoda-ku, Tokyo, Japan.

Monthly Review—Trading data on the more than 1,000 issues listed on the Toronto Stock Exchange—The Toronto Stock Exchange, Bay Street, Toronto, Ont., Canada.

Over-the-Counter Index—Folder showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 13-year period — National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

Rails—List of securities selling above 1946 highs—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y.

Utah Area Resources—Booklet—Dept. M., Utah Power & Light Co., P. O. Box 899, Salt Lake City 10, Utah.

Utah Uranium—Data on 43 companies—J. A. Hogle & Co., 50 Broadway, New York 4, N. Y. Also available is an analysis of the mines producing **Uranium.**

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Beneficial Loan Corp. — Data — Bache & Co., 36 Wall Street, New York 5, N. Y. Also in the same bulletin are data on **Micromatic Hone Corp.** and **Grand Union.**

Beverage Franchises, Inc.—Analysis—Richard & Co., 744 Broad Street, Newark 2, N. J.

Central Explorers Limited — Analysis — Franklin, Meyer & Barnett, 120 Broadway, New York 5, N. Y.

Central Indiana Gas Company—Analysis—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Collins Radio Co.—Memorandum—Lee Higginson Corporation, 231 South La Salle Street, Chicago 4, Ill.

Falconbridge Nickel Mines Limited—Analysis—Kippen & Company Inc., 607 St. James Street West, Montreal, Que., Canada.

I. G. Farben Successor Companies—Information—Oppenheimer & Co., 25 Broad Street, New York 4, N. Y.

Floresville, Texas Electric Light and Power System First Mortgage Revenue Refunding Bonds — Descriptive circular — Rauscher, Pierce & Co., Inc., Milam Building, San Antonio 5, Texas.

Foote-Burt Co.—Memorandum—Laird & Co., Nemours Building, Wilmington 99, Del.

Foremost Dairies, Inc. — Analysis—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y.

W. R. Grace & Co.—Elaborately illustrated analytical brochure —Blyth & Co., Inc., 14 Wall Street, New York 5. N. Y.

Hycon—Literature—Singer, Bean & Mackie, Inc., 40 Exchange Place, New York 5, N. Y. Also available is literature on **H & B American Machine.**

James Manufacturing Co.—Analysis in current issue of "Business and Financial Digest"—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis. Also in the same issue is an analysis of **Meredith Publishing Co.**

Jones & Lamson Machine Company — Card Memorandum — Aetna Securities Corporation, 111 Broadway, New York 6, New York.

Las Vegas Grammar School Educational District No. 12 Bonds —Brochure—Lauren W. Gibbs, Zions Bank Building, Salt Lake City 1, Utah.

Long Bell Lumber Co.—Memorandum—Blanchett, Hinton & Jones, 1411 Fourth Avenue Building, Seattle 1, Wash.

Olympia Brewing Co. — Memorandum — Grande & Co., Hoge Building, Seattle 4, Wash. Also available are menoranda on **Marine Bancorporation, Seattle-First National Bank, Cordova (Alaska)** and **Juneau (Alaska).**

Robertshaw Fulton Controls Company — Bulletin—Gartley & Associates, Inc., 68 William Street, New York 5, N. Y.

Sandy Hill Iron & Brass Works — Memorandum — John R. Boland & Co., 30 Broad Street, New York 4, N. Y.

Savannah Sugar Refining Corp.—Memorandum—Goodbody & Co., 115 Broadway, New York 6, N. Y.

S. Morgan Smith Company—Analysis—Gartman, Rose & Co., 1 Wall Street, New York 5, N. Y.

Snap-on-Tools Corporation — Report — **Lerner & Co., 10 Post** Office Square, Boston 9, Mass.

Southern Company—Analysis—J. A. Hogle & Co., 507 West Sixth Street, Los Angeles 14, Calif. Also available is an analysis of **Interstate Power Co.**

Studebaker-Packard Motor Car—Memorandum—Hirsch & Co., 25 Broad Street, New York 4, N. Y. Also available are memorandum on **Timken Roller Bearing** and **United Shoe Machinery.**

Time, Inc. — Memorandum—Kidder, Peabody & Co., 11 Wall Street, New York 5, N. Y.

U. S. Rubber Co.—Memorandum—Auchincloss, Parker & Redpath, 52 Wall Street, New York 5, N. Y.

NSTA Notes

BOSTON SECURITIES TRADERS ASSOCIATION

James R. Duffy

The Boston Securities Traders Association is pilfering Liggett & Myers' idea and forming a 3 to 1 Club. The Advertising Committee has set as a minimum goal the selling of three times as many ads as they secured last year.

Members of the Committee are: James R. Duffy, Chairman, Paine, Webber, Jackson & Curtis; Lewis McDowell, Charles A. Day & Co., Inc.; Sumner Wolley, Coffin & Burr, Incorporated; John McCue, May & Gannon, Inc.; Henry Larsen, First Boston Corporation; Ernest Slifer, American Securities Corporation; Paul O'Leary, R. W. Pressprich & Co.; Rodney Kent, R. W. Pressprich & Co.; John Tirrell, Tirrell Mailing Service.

With Keller & Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — William V. Garland is now with Keller & Co., 53 State Street. He was formerly with Clayton Securities Corporation, Frederic C. Adams & Co. and J. Arthur Warner & Co.

With Slayton Staff

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Mrs. Malinda C. Gillilan has joined the staff of Slayton & Company, Inc., 408 Olive Street.

Palmer, Pollacchi Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Elba O. Carrier has been added to the staff of Palmer Pollacchi & Co., 84 State Street.

With Slayton In Dayton

(Special to THE FINANCIAL CHRONICLE)

DAYTON, Ohio—Earl C. Oberlin is now with Slayton & Company, Inc., 1126 Oakwood Avenue.

Arthur H. Gilbert

Arthur Holden Gilbert passed away at the age of 75 after a long illness. Prior to his retirement he was a partner in Spencer Trask & Co.

COMING EVENTS

In Investment Field

June 24, 1954 (Boston, Mass.)
Boston Securities Traders Association 35th annual outing at the South Shore Country Club, Hingham, Mass.

June 24-25, 1954 (Cincinnati, O.)
Cincinnati Municipal Bond Dealers Spring party.

June 25, 1954 (Cleveland, Ohio)
Cleveland Security Traders Association annual summer party at the Kirtland Country Club.

June 25, 1954 (New York City)
Municipal Bondwomen's Club of New York annual outing at Rock Spring Club, West Orange, N. J.

June 26, 1954 (Chicago, Ill.)
Bond Traders Club of Chicago 28th annual field day at Nordic Hills Country Club.

June 29, 1954 (Detroit, Mich.)
Securities Traders Association of Detroit & Michigan 19th annual summer outing at Plum Hollow Golf Club.

Aug. 13, 1954 (Denver, Colo.)
Bond Club of Denver-Investment Bankers Association summer frolic at the Park Hill Country Club, preceded by a Calcutta Dinner Aug. 12 at the Albany Hotel.

Sept. 10, 1954 (Chicago, Ill.)
Municipal Bond Club of Chicago annual outing at Knollwood Country Club, Lake Forest, Ill.

Sept. 17, 1954 (Philadelphia, Pa.)
Bond Club of Philadelphia 29th annual field day at the Huntington Valley Country Club, Abington, Pa.

Sept. 22-26, 1954 (Atlantic City)
National Security Traders Association Annual Convention at the Hotel Claridge.

Sept. 23-25, 1954 (Minneapolis Minn.)
Board of Governors of Association of Stock Exchange Firms meeting.

Nov. 28-Dec. 3, 1954 (Hollywood, Fla.)
Investment Bankers Association Annual Convention at the Hollywood Beach Hotel.

Chester J. Cadle With Cruttenden & Co.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Chester J. Cadle has become associated with Cruttenden & Co., 316 North

Chester J. Cadle

Broadway. Mr. Cadle was formerly Manager of the St. Louis office of Central Republic Company with which he had been associated for many years.

International Finance and The Foreign Trade Outlook

By ANDREW N. OVERBY*
Assistant Secretary of the Treasury

Stressing the progress abroad toward a freer and healthier and more unified trading condition, Treasury spokesman sees in this improved opportunities for American exports. Calls attention to increased gold and dollar assets held by foreign countries and the need for a more favorable climate for American investments abroad. Says we must be prepared to increase imports, and emphasizes importance of a general return to convertible currency.

I should like to talk about international finance and the outlook for foreign trade. Since even interpretation of the present is sometimes uncertain, it is usually hazardous to talk about the future — particularly in this often unhappy world, marked by continuing political tensions, large defense expenditures and even military hostilities. Despite the hazard, I should like to examine with you our foreign economic policy objectives and the progress we have made toward them. If I cannot be too precise about the future, perhaps I can nevertheless be cautiously optimistic.


Andrew N. Overby

In his foreign economic policy message to the Congress on March 30 the President said:

"The national interest in the field of foreign economic policy is clear. It is to obtain, in a manner that is consistent with our national security and profitable and equitable for all, the highest possible level of trade and the most efficient use of capital and resources. That this would also strengthen our military allies adds urgency. Their strength is of critical importance to the security of our country.

"Great mutual advantages to buyer and seller, to producer and consumer, to investor and to the community where investment is made, accrue from high levels of trade and investment. They accrue no less in trade from nation to nation than in trade from community to community within a single country. The internal strength of the American economy has evolved from such a system of mutual advantage."

Our foreign economic policy objectives are the counterpart of and are closely related to our domestic economic policy objectives as well as our national security aims. Our task in the free world is so to organize and conduct ourselves that we achieve maximum political, military and economic strength and dynamic progress under a combination of economic and political freedom. We believe that adequate defenses against the forces of the international communist conspiracy can be maintained here and in the free world only if they are supported by sound and competitive economies marked by dynamic growth. Essential to such economic strength and growth are good money, an expanding flow of mutually beneficial international trade, and increased private investment—in short, a world of currency convertibility and non-discriminatory multilateral trade. As the President said in his foreign economic policy message to the Congress on March 30, our program consists of four interrelated major parts:

"Aid—which we wish to curtail;
"Investment—which we wish to encourage;
"Convertibility—which we wish to facilitate, and
"Trade—which we wish to expand."

A Strong Domestic Economy Needed

With our political, military and economic strength, we in the United States face an awesome responsibility — not only in providing leadership in the free world but in maintaining a strong and dynamic economy here at home. We are obliged to have military strength of sufficient power not only for our own defense but also to help promote peace in the world. But in view of the nature of the Soviet threat, we face not a brief period of sudden and sporadic defense expenditure as in the past, but a long period of maintaining high levels of defense. Since our defense expenditures are no longer a passing or temporary phenomenon, it is essential that our military posture over a long period of time be supported by an economy which preserves its economic and financial strength. And we must encourage initiative and further dynamic growth at the same time.

In our domestic economic policy this has meant the removal of controls and restrictions which have hampered initiative and interfered with the freer working of the market mechanism. It has meant trying to get better modern defense for the dollars we spend. It has meant the elimination or postponement of less essential government expenditures and the reduction of the government deficit. It has meant a beginning in reducing and revising over-burdensome taxation which impairs initiative. And it has meant the freedom and independence of the Federal Reserve System to pursue its monetary policies for the general welfare.

Thus, our policies at home are directed toward economic stability and strength and growth—toward greater freedom from government interference and control—greater freedom for the individual to pursue his business, spend his own money, and live his own life. Our policies aim at encouraging initiative and freedom and maintaining economic progress and a high level of economic activity at relatively stable prices, with neither inflation nor deflation. Such an economy we believe leads to high levels of demand and world trade on a sound and mutually beneficial basis and makes perhaps our greatest contribution to our friends abroad as well as to ourselves. Moreover, maintaining the strength and value of our United States dollar through sound internal finance and increased productivity is important not only to confidence and the encouragement of savings here at home. It is also a vital part of our contribution to international monetary stability and to the value of our convertible dollar as a stable point of reference — for the United States dollar has become the touchstone for all the currencies of the free world.

Better Trading Situation Abroad

As we look abroad today, we find good reason for increased hopefulness for the freer and healthier and more unified trading and financial world we want. Strange as it may seem in the face of continuing political tensions and large defense expenditures, the free world is in much improved and very good shape in purely economic terms—in levels of production, of trade, and of real income.

Balance of payments deficits of most foreign countries have been eliminated or reduced. Production and trade have been maintained at high levels. In most countries budgets have been more nearly balanced and credit measures have been effective in keeping the growth of money supply moderate. Prices have been relatively stable.

In measuring the economic and financial progress that has been made and what we might expect in the way of improved opportunities for American exports, there is one statistic which does not tell us everything but which has important significance. That is the gold and dollar assets held by foreign countries. As a result of improved conditions abroad and our countining aid programs and large overseas expenditures, gold and dollar assets of foreign countries have increased in the last four years — since just after the major devaluations of 1949 — by more than $8 billion, a gain of more than 50%—and the growth seems to be continuing. It is true that some of these gains in reserves have taken place in countries maintaining the very restrictions on imports of dollar goods which we seek to eliminate. And, we know how unsound internal monetary policies can dissipate reserves. But we are justified in being greatly encouraged by this improvement, a good part of which is firmly based on sound monetary and fiscal practices and improved competitive ability.

As our friends abroad further strengthen their economies and increase their gold and dollar reserves, we can see not only the end of our emergency programs of economic aid but we can also hope for some further relaxation or elimination of the artificial and discriminatory barriers to the sale of American products abroad on a competitive basis. In fact, part of the test of the strength of our friends' economies will come in the further removal of these discriminatory restrictions and greater exposure to the forces of competition from abroad.

Very real progress has already been made in the freeing of economies abroad and in the relaxation or removal of trade and exchange controls which have hampered the sale of our products in foreign countries. Notable gains in this direction have been made in such countries as the United Kingdom, the Federal Republic of Germany, the Netherlands and Belgium.

The United Kingdom, for example, has been making steady progress in the past year or so toward restoration of a freer economy by removing controls over the internal economy and by taking steps to increase the freedom of United Kingdom residents to puprchase abroad. Internally, food rationing has been steadily eased and will end completely in July; there are now few direct controls over raw materials; private building has been encouraged and restrictions substantially eased; price controls have virtually ended. Import restrictions have been substantially relaxed and government trading in raw materials has almost ended. The range of raw materials, commodities and manufactured goods which may be freely imported from the dollar area has been steadily broadened. As of April 1, 1954, the United Kingdom has decontrolled imports of grains, some oils and oilseeds, condensed and dried milk, and dried and other fruits. A futures market in grain again became operative, mainly for corn, barley and other coarse grains. The Liverpool Cotton Exchange is due to reopen in May. Commodity markets have been reopened in Britain also for rubber, coffee, tin, cocoa, lead, zinc, aluminum, copper and wool. Traders in these markets are free to import these commodities from any part of the world.

The steps which have been taken by many important countries in freeing and strengthening their economies and in relaxing their trade and exchange restrictions should also encourage the flow of United States private investment abroad. This is an integral part of the President's program. To this end the Administration tax bill already passed by the House of Representatives contain provisions to encourage private investment abroad. Efforts are also being intensified to work out with other nations of the free world mutually acceptable rules for the fair treatment of foreign

Continued on page 29

*An address by Mr. Overby at the 1954 World Trade Dinner of the Milwaukee Association of Commerce, Milwaukee, Wis., May 17, 1954.

"We Can Now Speak Of Achievement"

By W. RANDOLPH BURGESS*

Deputy to the Secretary of the Treasury

Former New York banker and now high ranking Treasury official outlines accomplishments to date of Eisenhower Administration's program, which, he says, is well on its way through Congress. Points out some success in bringing about economy in government, lower taxes, and honest money. Says, in their efforts to encourage stability and growth, Treasury and Federal Reserve have been following precisely principles laid down in 1950 report of Douglas Subcommittee of the Joint Committee on the Economic report.

A year ago when I spoke here, it was only possible to tell you the aims and purposes of the Eisenhower Administration.

W. R. Burgess

Today, we can begin to speak of achievement. A legislative program has been presented to the Congress which was as thoroughly prepared as any program of legislation ever presented. This program is conservative in economic principles, liberal in human objectives.

Much of it is in controversy and needs the thoughtful attention of people like you.

In finance, we can report some success. The aims were simple: economy, lower taxes, honest money. These aims had to be pursued in an atmosphere of international tension, which required the maintenance and strengthening of the military power of this country and our allies. Nevertheless, progress has been made.

Economy

We have cut spending this fiscal year, which ends in a few days, by $7 billion from the Truman budget. Next fiscal year, we have budgeted for a reduction of another $5 billion. The total decrease in spending is thus $12 billion. This is about as fast as spending can be cut while still maintaining adequate defense and not giving the economy too severe a jolt. Contrary to some reports, there is no present plan for changing this budget program.

Taxes

Cuts in taxes, effective last January 1, totaled $5 billion a year. The excise tax cut on April 1 was about $1 billion. The tax reform bill now before Congress, if passed, will reduce taxes another $1.4 billion. These cuts add up to $7.4 billion, the largest dollar tax reduction ever made in a single year.

About two-thirds of these cuts go to individuals. The rest relieves business and encourages it to move ahead—to employ more people.

Honest Money

For a year and a half, the price level has been relatively stable. Inflation was stopped; the ensuing readjustment was mild and gives evidence of leveling off.

The Treasury and the Federal Reserve System have used their powers vigorously toward economic stability and growth. Cutting expenses and reducing taxes were for that purpose. The arrangement of types of Treasury financing has been adjusted to this end.

The Federal Reserve System has been freed to exercise its powers through the discount rate and open market operations and changes in reserve requirements to check the inflationary tendency in early 1953 and, when the turn came, to encourage the freer use of money and check recession. It has been a flexible policy.

In their efforts to encourage stability and growth, the Treasury and the Reserve System have been following precisely the principles laid down in 1950 by the Douglas Subcommittee of the Joint Committee on the Economic Report, as follows:

"We recommend not only that appropriate, vigorous, and coordinated monetary, credit, and fiscal policies be employed to promote the purposes of the Employment Act, but also that such policies constitute the government's primary and principal method of promoting those purposes."

It should be noted also that the Patman Subcommittee of the same general committee endorsed in 1952 the foregoing statement by the Douglas Subcommittee.

The great, outstanding purpose of the program of this Administration is more freedom and the removal of handicaps to freedom; freedom for the people of this country to make long-term, dynamic progress; freedom to make more and better jobs and to produce higher standards of living.

Aside from war, what are the economic enemies of human progress? One such enemy is too much government—too many controls, too high taxes, and too much government spending. It is the people of the country who make prosperity—with their effort, their initiative, and their genius. This government's program for economy, lower taxes, reducing controls, and freer markets is a program to release more of the energies of the American people to work for their own welfare.

Another great enemy of human welfare has been inflation or deflation. Inflation robs the saver for the benefit of the speculator and too often paves the way for deflation. This country has had bitter experiences with both inflation and deflation. The inflation of World War I was followed by the deflation of 1921. The inflation of the late '20's was followed by the deflation of the '30's. The inflation of World War II and after, followed by the inflation of Korea, had cut the buying power of the dollar nearly in half and, if continued, would have run the risk of a violent deflation.

Experience both here and abroad has demonstrated some of the principles of avoiding inflation and deflation and curbing their destructive power over human welfare. A major cause of these movements has been unwise government policies. A major cure is found in sound fiscal and monetary policies. This is our objective, to avoid the excesses of inflation and deflation and other handicaps to the prosperity and economic growth of the country.

*Extract from an address by Dr. Burgess to the Graduate School of Banking, American Bankers Association, Rutgers University, New Brunswick, N. J., June 18, 1954.

Krisam, Wells Join Mackubin, Legg & Co.

Wilbur Krisam

Horace W. Wells

John C. Legg & Company, members of the New York Stock Exchange, have announced that Wilbur Krisam and Horace W. Wells have joined the firm's expanded New York trading department, 76 Beaver Street, as registered representatives and will specialize in life, fire and casualty insurance stocks. Mr. Krisam was formerly with Geyer & Co. Incorporated. Mr. Wells was with Blyth & Co., Inc.

Gold Outflow Reduced

Treasury reports net loss of only $63 million in 1st quarter of year

The Treasury Department has made public a report of monetary gold transactions with foreign governments and central banks for the first quarter of 1954. The net gold outflow from the United States in this period was $63 million, the smallest volume of net sales for any quarter since the third quarter of 1952.

The outward gold movement from the United States continued to be low in the second quarter of 1954. U. S. net purchases of $44 million in April were offset by net sales of $48 million in May. Data for these two months are not yet available for publication on a country-by-country basis.

First Boston Group Offers Duquesne Light 4.10% Preferred Stock

The First Boston Corp. headed an investment banking group which offered for public sale yesterday (June 23) 120,000 shares of 4.10% cumulative preferred stock ($50 par value) of the Duquesne Light Co. at $51.25 per share. The issue was awarded earlier in the day at competitive sale on a bid of $50.16 per share.

Proceeds from the sale of the new preferred will be applied against short-term bank loans incurred for construction purposes, aggregating between $19,500,000 and $21,825,000. The company's construction budget for 1954 calls for expenditures of approximately $32,000,000.

The new preferred stock is redeemable at prices ranging from $53.25 per share if redeemed on or prior to Dec. 31, 1959 to $51.75 per share if redeemed after Dec. 31, 1969.

Duquesne Light Co. is an electric public utility serving an area of approximately 817 square miles embracing the highly industrialized city of Pittsburgh and surrounding municipalities in Allegheny and Beaver Counties, Pennsylvania, with a population of 1,550,435.

For the 12 months ended March 31, 1954 the company had operating revenues of $82,086,000 and net income of $15,428,000.

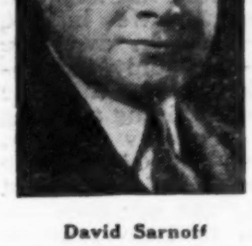
Electronics as an Aid To Law Enforcement

By BRIG. GEN. DAVID SARNOFF*

Chairman of the Board, Radio Corporation of America

Gen. Sarnoff reviews role of electronic devices in the prevention and detection of crime and in aiding law enforcement. Explains use of radio and television in protecting life and property and in the recording and dissemination of information required by law enforcement agencies. Holds, through dual service of sight-and-sound broadcasting, America has greatest medium of mass communication in the world, and still more improvements are in the offing.

At the outset, I would like to place the subject I have chosen in the framework of the troubled and soul-trying period of history in which we live. Since the end of the war we have been so continually under the shadows of crowding perils that we have almost become accustomed to them. This familiarity increases the danger. It tends to breed complacency when the need is for continued vigilance.



David Sarnoff

Let me put the plight of what remains of the free world in terms appropriate to this occasion. Forces of lawlessness have challenged the law-abiding portion of the globe. Political gangsterism has been raised to the dimensions of a world power, disposing a gigantic mass of weapons, manpower and resources. It threatens to hold our civilization at bay. Godless Communism, having made one-third of the human race captive, reaches out for dominion over all the rest.

Can this menace be curbed and ultimately vanquished? Can freedom and decency, morality and religion, survive? The answers depend in the first place upon the physical vitality and the moral stamina of the United States. This means that we simply cannot afford the inroads of moral laxness, the depredations of crime, the dry-rot of subversion and sabotage. And that's where you men of the FBI come in.

Democracy rests on law — the law of man and the Divine law from which it is derived. The activities of every able and public-spirited police officer are part of a larger pattern. They contribute to the over-all strength of America, which today stands as a bulwark, almost the last bulwark, against irretrievable disaster for all mankind.

Do not for a moment, therefore, underrate your own role in safeguarding the principles and traditions that have made our country great and powerful. Academy graduates, in the measure that they make the standards and the spirit of the FBI effective in their home communities, will help preserve for America the vigor and the cohesion it needs to meet the challenge of these decisive times.

Now to the substance of my assignment. Today's graduates have at their disposal a whole spectrum of scientific tools for their trade of which only the most imaginative among the first graduates of the Academy even dreamed. By the same token, graduates five or ten years hence will enjoy scientific aids to law enforcement unavailable at present.

You know better than I do what a vital role radio is playing in police work. When wireless was introduced, there were skeptics who saw little value in it for police. They argued that it lacked privacy, that even the criminal could tune in. That idea was rather dramatically dispelled years ago. The first spectacular use of radio to capture a fugitive from justice took place as far back as 1910. I think you may find the story interesting.

Dr. H. H. Crippin of England murdered his wife and with his mistress fled to Holland sailed on the liner "Montrose" for Canada. The girl, her hair cut short, was disguised as a boy, and the two were listed as "Mr. Robinson and son."

The captain of the ship became suspicious of the pair and wirelessed a description to Scotland Yard. A Chief Inspector immediately boarded a faster ship, the "Laurentic," and the thrilling race was on! The world eagerly followed daily charts of the two ships, while the fugitives themselves remained unaware that Scotland Yard was in hot pursuit.

The "Laurentic" overtook the "Montrose" at the mouth of the St. Lawrence River, and soon Dr. Crippin and his friend were enroute back to London for trial. Radio had lengthened the arm of the law so that it could reach out across an ocean to bring lawbreakers to justice.

Today almost 6,000 law enforcement agencies use two-way radio, and a total of 100,000 vehicles are licensed by police units to operate mobile equipment. The New York Police Department alone uses more than 1,700 radio-equipped vehicles. Virtually all cities with over 10,000 population have a municipally operated two-way radio system, and every state police force is radio-equipped.

Turnpike Communication

You men are aware of the importance of communication on highways. In Pennsylvania and New Jersey, where turnpikes are in operation, highly efficient microwave radio communication systems have been installed. They provide instantaneous contact between mobile patrols as well as point-to-point communication between toll gates, service facilities, patrol headquarters and other installations. In many other states where turnpikes are planned or under construction, radio will have this opportunity to serve.

Eventually, we may be sure, these expressways will be interconnected not only by radio but by television. It is only a matter of time, moreover, before a coast-to-coast radio-television network will transmit teletype messages, weather reports, photographs, fingerprints and other documents. Law enforcement will have at its disposal an all-seeing eye that scans the country at a glance.

Radar, too, will be increasingly an arm of the police forces. Already this war-perfected marvel has proved an infallible instrument for the enforcement of speed laws. Along many highways and village streets, motorists are warned of "electronic timers," and it's mighty difficult to argue against the electron with a traffic officer. Other applications of ra-

*An address by Gen. Sarnoff at the Graduation Exercises of the 53rd Session of the FBI National Academy, Washington, D. C., June 11, 1954.

dar as an arm of the law are being perfected.

You all remember the day when about the only means of pictorially identifying a wanted person was a picture on the bulletin boards in police stations, post offices and in newspapers. In the television age, pictures can be screened for identification on more than 30 million TV sets throughout the country. Photographs or fingerprints can be flashed around the world within minutes, if necessary, by radiophoto.

TV Police Lineup

Television is making another notable contribution in your field. In New York City recently, RCA cooperated with the Police Department in televising a police lineup. Using a vidicon camera about the size of a home movie camera, the picture of the lineup was sent by microwave to Brooklyn, many miles away. Officials who witnessed the test were enthusiastic about the time-saving feature and other advantages when officers from outlying precincts can scan a lineup without coming to headquarters.

From television's "case book," if I may borrow a police phrase, is the story of how a closed circuit TV system served as a detective in Los Angeles. A closed-circuit system transmits images from point to point over wires, and the images are not broadcast over the air. We of the RCA know this case very well indeed—it was our warehouse that was being looted, with more than $38,000 worth of television equipment missing.

Our technicians concealed a small TV camera in the rafters of the storeroom, its lense focused on the loading platform. Seated before a standard television set, police officers watched the culprits at work. The thieves of course were easily identified and apprehended.

Then there is the use of closed-circuit television in penal institutions. Vidicon cameras, strategically placed for surveillance of prisoners, are in effect electronic guards, allowing more effective use of the uniformed guards. In a new jail in Houston, Texas, for example, TV keeps around-the-clock check on what the inmates are doing. Cameras are trained on booking rooms, cell corridors and other areas where trouble might break out, and receiving sets are located in police headquarters, at guard stations and other posts.

Another prison task of the electron is prevention of the smuggling of weapons or tools to cells. An electronic detector which can reveal a speck of metal in a package of cereal or a bottled beverage has no problem in "frisking" convicts or visitors.

If your home town or city has not yet been reached by television, you may be sure that it will be there soon, and in color too. Television for civilian automobiles may not be practical, but police cars without doubt will eventually include TV as an indispensable adjunct of their operations.

The Transistor

Another significant electronic development will, I think, interest you. It is made possible by the advent of the transistor; a device about the size of a kernel of corn which performs many of the functions of an electron tube and has the further advantage of consuming very little current. By transistor magic we are entering the era of "personal" or individual communication: the era of compact, lightweight, rugged receiving sets of vest-pocket size today, and ultimately small enough to be worn like a wristwatch. With his miniature radio the patrolman and detective will be as directly and continually in touch with headquarters as are mobile units. In due time, however, every patrolman will be as good as Dick Tracy, in that he'll be equipped with a pocket-size transmitter for two-way communication.

Outside of communications, too, electronics has wide applications in your profession. The electron microscope, for instance, opens up the sub-microscope world to the human eye. Since 1947 it has been used by the FBI as well as by crime detection laboratories in cities like New York and Rio de Janeiro. These 'scopes can reveal vital facts about particles of dust, ashes, paint, ink, blood, hair. One day, it is believed, they will enable you to classify individual hairs in much the same way as individual fingerprints are now classified.

I have touched upon only a few of the obvious uses of radio, television and electronics in protectng life and property. Just over the horizon are even newer scientific aids to law enforcement.

Consider, for example, recording devices, so important in crime detection. Miniature battery-powered magnetic tape recorders will be so compact and self-contained that they may easily be concealed on the person, and capable of recording for an hour or more. Television tape recording, putting sight on tape the way sound has heretofore been taped, will have numerous applications in police work. It will be used to catalogue photographs, fingerprints and other pertinent data. The magnetic tape recording of a scene in both sight and sound will leave no question regarding identification or evidence. This magnectic tape requires no chemical processing — pictures can be viewed the instant they are taken, and an unlimited number of copies can be preserved indefinitely for reference.

Electronic Computers

Electronic computers, too, hold rich promise for police usage. These amazing instruments are able to memorize or store endless information, to be pulled from their electronics files instantaneously and with phenomenal accuracy.

The day is not far off—to mention a few more examples—when a small electronic gadget in police cars, ambulances and fire trucks will automatically trigger traffic signals, halting intersection traffic and clearing a path for emergency vehicles.

Ultra-sonic alarm systems, based upon electronically generated sound inaudible to the human ear, also are feasible. The ultra-sonic signal would be beamed to cover any desired area, and if broken by a person or object passing through it, an alarm would be touched off.

Already electronic infra-red "eye" have been fashioned to see in the dark. Attached to rifles and guns, as they were in World War II, these devices enable marksmen to see the target and hit the bulls-eye.

These and myriad other developments are America's dividends on its freedom of research and invention. The nation's great laboratories, superbly equipped and expertly staffed, constitute the scientific backbone of America's economic power and national security. Among the most important of these, in a class by itself, is the FBI Crime Detection Laboratory in Washington with which you are all familiar. I am informed that, in accordance with Mr. Hoover's wise policy, local police throughout the country make rewarding use of its facilities.

I should like to allude to another significant aspect of radio and television which can play a great role in your success as law enforcement officers. No matter where you live, you are aware how closely radio is woven into the fabric of your community's life. And television, though a newcomer, already has 400 stations on the air. This dual service of sight-and-sound broadcasting gives America the greatest medium of mass communication in the world.

What you make of it depends in large measure upon your own energy and imagination as a citizen and as an officer of the law. It enables you to help to shape the ideas and attitudes of both young and old; to expose the futility of crime and the perils of delinquency. Broadcasters have been brought up in a spirit of public service; they know that their own success will be gauged by their contribution to the best interests of the community. I know them well, and I do not hesitate to assure you of their cooperation.

The FBI and police organizations — local, county, state and Federal — are today confronted with graver challenges than ever before in our history. Every challenge is also an opportunity. Every city, every town, is a living part of the intricate anatomy of this great country. In keeping a particular part in tip-top condition, you will be engaged in the most vital job of keeping this citadel of freedom strong, resilient, ready for all emergencies in a time of trial for our nation.

Through his splendid leadership and accomplishments as Director of the Federal Bureau of Investigation, and as a great American, J. Edgar Hoover has become a living symbol of the FBI motto: Fidelity, Bravery, Integrity. As you go forth from this Academy today, dedicated to devotion to your fellow-men, may you always be inspired by the magnificent examples set by Mr. Hoover and his loyal staff.

This group has won universal admiration. No group has deserved it more. With their kind of vigilance, efficiency and patriotic zeal to emulate, with the achievements of modern science at your command, with the special training you have received, you leave this great Academy finely geared for service beyond the call of duty.

I thank Mr. Hoover and you again for the privilege of participating in this solemn ceremony. I extend to you my heartfelt wishes for success in the tasks that lie ahead of you. I am confident, as are Mr. Hoover and his staff, that you will add to the glory of the FBI National Academy.

Caldwell Phillips Gives Check Protector

ST. PAUL, Minn. — Caldwell, Phillips Co., First National Bank Building, members of the Midwest Stock Exchange, are giving away a most attractive green desk set including a letter opener and check protector.

Robert Timpson Co. To Be Formed in N. Y.

Robert C. L. Timpson will acquire a membership in the New York Stock Exchange and on July 6th will form Robert Timpson & Co. with offices at 63 Wall Street, New York City. Other partners will be Joseph F. Colgan, general partner, and Louis Clews Timpson and Desmond Fitzgerald, limited partners. Mr. Timpson in the past was a partner in W. E. Hutton & Co.

Joins King Merritt Co.

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Irwin Charles has become connected with King Merritt & Co., Inc., 1151 South Broadway.

John F. Reilly Joins Gearhart & Otis Inc.

John F. Reilly

John F. Reilly has become associated with Gearhart & Otis, Inc., 74 Trinity Place, New York City, as manager of the trading department. Mr. Reilly has recently been associated with Burnham and Company in charge of unlisted trading. Prior thereto he conducted his own investment business in New York.

Form Future Sec. Corp.

Future Security Corporation is engaging in an investment business from offices at 550 Fifth Avenue, New York City.

With Cantor, Fitzgerald

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—William A. Sawyers has been added to the staff of Cantor, Fitzgerald & Co., Inc., 232 North Canon Drive.

Oscar Kraft Co. Adds

(Special to The Financial Chronicle)

LOS ANGELES, Cal.—Norman W. Grimshaw has become affiliated with Oscar F. Kraft & Co., 530 West Sixth Street.

Railroad Securities

New York, Chicago & St. Louis

The rail market continues to give a good account of itself, particularly in the better quality sections. The Dow-Jones rail average last week climbed into new high ground for the year on good volume and was only nominally below the peak reached in 1952. Buoyancy of the averages is all the more impressive when the relatively poor market action of many of the lower priced stocks included therein is taken into account. Erie and Pennsylvania, for instance, are still selling within fractions of the 1954 lows and a number of others have not done much better. This unusual selectivity on the part of investors and speculators is considered by railroad analysts to be highly significant and favorable.

One of the better grade rail stocks that has been getting increasing attention recently has been New York, Chicago & St. Louis (Nickel Plate) common. This recent pick-up in buying interest can probably be traced, at least in part, to the company announcement that it is planning to call part of its 6% preferred stock issue for redemption. The company will take out a bank loan of $2,600,000 to be secured by a purchase money mortgage it received in the sale of some property to the City of Cleveland, the proceeds to be used to retire 23,700 shares of the preferred.

In addition, it is believed that the company has bought in some of its preferred in the open market so that the total retirement may run to perhaps 26,000 shares. While this is not large in relation to the 360,977 shares outstanding as of the end of last year, and the savings in preferred dividends will not add significantly to earnings on the 2,039,624 shares of common stock, the willingness of the company to embark on such a program at this time is viewed as a distinctly constructive development. Most analysts feel that this will not prove to be an isolated step but that once the ball has started rolling the program may be continued and expanded.

Nickel Plate has traditionally been one of the more efficient and lower cost operations in the rail industry. It has had its troubles in the past but largely these stemmed from recurring bond maturities in the depression decade and not from any lack of earning power even in the 1930s. In the end these maturity problems were always worked out without recourse to bankruptcy and since those days the debt burden has been reduced materially. There is now certainly nothing to be concerned about on this score. Large preferred dividend accumulations that built up during the period when the company was reducing its debt were liquidated a few years ago and now the next step is apparently to be gradual elimination of the high dividend preferred itself.

Adjusting for the four-for-one split in 1951 and the 10% stock dividend paid last year, earnings on the common have averaged $5.77 a share over the past 10 years and last year came to $7.70. The company has been hard hit by the current business recession, and particularly by the lower-than-average rate of operations for many of the steel mills in its territory. For the five months through May gross revenues were off more than $11 million from a year earlier. Expenses were reduced substantially and Federal income tax accruals were sharply lower. Nevertheless, net income dipped nearly $3 million and common share earnings of $1.82 compared with $3.28 in the like 1953 interim.

There are indications that the decline in traffic has flattened out and that business in the territory has begun to improve. Also, progressively stricter control if expenses is bearing fruit so that comparisons from here on should be considerably more favorable. On the basis of the present outlook it is now being estimated that earnings for the full year will at least come to $5.00 a share which is looked upon as being sufficient to support the present $3.00 annual dividend. It is also believed by many analysts that gradual dieselization of freight service, at which the company has been relatively slow, holds promise of an increase in the basic long-term earning power of the property.

Continued from page 2

The Security I Like Best

quarterly dividend which was increased from 30 cents to 37½ cents in January.

As of March 31, 1954, company's capitalization consisted of $1,750,000 of 4% note to an insurance company payable semi-annually at the rate of $75,000 with final payment due in 1967 and 953,280 shares of $1 par common stock. Current assets were $14,450,792, of which $5,328,676 was in cash and U. S. Treasury bonds, and current liabilities were $3,375,431, providing working capital of $11,075,364. The operating ratio of better than 4-1 is another example of tight control by management. The stockholders' equity had increased from $16.69 in 1953 to $18.91 in 1954.

Historically Sheller has been a conservative dividend payer having paid out an average of only 31.6% of earnings during the past five years. The recent increase in the dividend rate may be an indication of the management's desire to give stockholders greater benefits. Regardless of this latter aspect, the company's sound financial policies will serve as a solid foundation for the years of growth and expansion ahead.

Currently selling on New York Stock Exchange at 18, with a yield of 8.3%, Sheller Manufacturing presents an attractive situation from the point of view of income and long-term growth.

Two With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

GREENSBORO, N. C. — Foster D. Finch, Jr. and Frederick L. Preyer have been added to the staff of Merrill Lynch, Pierce, Fenner & Beane, 120 North Greene Street.

From Washington Ahead of the News

By CARLISLE BARGERON

Carlisle Bargeron

Almost unnoticed in the welter of Washington controversy and backbiting was the recent revelation of an Administration policy which would have a tremendous impact on the development of rivers and harbors, inland waterways and flood control projects in this country. Since time immemorial they have constituted what is known as the Congressional pork barrel; that is to say, they are authorized and appropriated for by Congress on a basis of "you scratch my back, I'll scratch yours," with little regard to their justification or worth.

Also they have made hypocrites of some of our most substantial businessmen. These men will join together through their Chambers of Commerce and kindred organizations to resolute against continued Federal spending and on how important it is that the budget be balanced. Then they will come to Washington and plead for a flood control project, or one for development of a waterway, or what not, which will benefit their own community. Their particular Congressman hasn't a chance in the world to get legislation for this particular project unless he votes for similar projects sought by other communities.

Members of Congress from the Tennessee Valley, always seeking additional appropriations for their TVA, are duty bound to support every pork barrel proposal that comes up. The Washington State delegation, forever seeking funds for public power, are in the same boat. Young Senator Kennedy of Massachusetts has been urging the New Englanders to quit resisting these Federal expenditures for other sections of the country and get in on the pap.

The Administration's new policy is to require community participation in these expenditures. At least, this was the policy stated by the Army Engineers in the case of the project to deepen the Delaware River up to and beyond the new Fairless steel plant. According to the engineers testifying on the project before a subcommittee of the Senate Public Works Committee, the Administration has decided that U. S. Steel must put up $18 million of the $90 million cost on the grounds that it would be the chief beneficiary of the extension.

As I understand it, U. S. Steel is now having to unload its big iron ore carriers from Venezuela at Philadelphia and transport the ore overland to the Fairless plant at a considerable cost. Inasmuch as the Federal Government is constitutionally responsible for the development and maintenance of all navigable streams, the Administration's stand is surprising, to say the least, and if it is a policy to be applied generally, its economic impact can be readily seen. Presumably it will be applied to the further development and maintenance of the Mississippi and Ohio River systems, the various other waterways. You can rest assurred that the hue and cry that ensues will be pronounced.

The community participation policy, as stated by the Army Engineers to be the Administration's policy, also would presumably be applied to the improvement of the Great Lakes system to extend the so-called St. Lawrence Seaway. The legislation recently passed on this long controverted project would provide for a "Seaway" only to Lake Erie. The extension of it through the Great Lakes is to be sought, probably next year, through separate legislation. It is claimed the part already authorized will be self-liquidating over a 50-year period through the charging of tolls. But no tolls are to be charged on the extended project. It would certainly be just as much subject to the community participation policy as the Delaware River project.

I can imagine that U. S. Steel suffered quite a shock when the new policy was sprung on it. The principal beneficiaries of the "seaway" to Lake Erie will be six other steel companies that have invested in Labrador ore, and for that matter, the steel industry as a whole has been the chief beneficiary of the present Great Lakes system, and in this instance, the country as a whole has benefitted. The Great Lakes system has linked the ore and coal supplies of the industry which has permitted it to develop to the point it has.

However, the Great Lakes system is the only inland waterway that has served an entire major industry, and it has had a tremendous bearing on the cost of steel which means a tremendous bearing on the nation's price structure.

The countless other waterways serve only a few manufacturers with access to them and there is a serious question, often pondered by economists, whether the savings in transportation costs enjoyed by these favored manufacturers are of any benefit to the consumer or have any influence upon the price structure.

Reinholdt Gardner Adds

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—John Terzian has been added to the staff of Reinholdt & Gardner, 400 Locust Street, members of the New York and Midwest Stock Exchanges.

Form J. E. Oglesby Inv. Co.

PORTSMOUTH, Va.—James E. Oglesby is engaging in the securities business from offices at 207 Middle Street under the firm name of James E. Oglesby Investment Co.

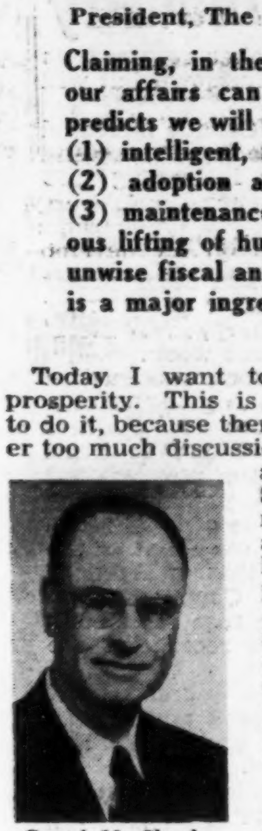
Components of Prosperity

By CARROL M. SHANKS*

President, The Prudential Insurance Company of America

Claiming, in the absence of war, intelligent management of our affairs can control prosperity, life insurance executive predicts we will have peace. Lays down as prosperity factors: (1) intelligent, far-sighted fiscal and monetary management; (2) adoption and development of technological advances; (3) maintenance of public confidence, along with a continuous lifting of human wants. Says inflation has been result of unwise fiscal and monetary policy, and concludes "confidence is a major ingredient of prosperity." Forecasts top levels of business for rest of year.

Today I want to talk about prosperity. This is a good time to do it, because there is altogether too much discussion these days, at least in the States, about recession — and too much hope on the part of our enemies that a serious depression will deal us the crippling blow that they can't.



Carrol M. Shanks

This is a good place to do it, because Canada has been enjoying a large measure of prosperity, and the best time to think seriously about prosperity is when you have it—not after you have lost it.

There is no real mystery about prosperity. It is, in the final analysis, what follows from able and intelligent management of our affairs. A lack of prosperity, on the other hand, is often simply the result of bad management or bad judgment.

The only element of prosperity that may be beyond control is the maintenance of peace. To have prosperity, or even plan for it, we must have peace. And in the end, I think we will have peace. It may be an uneasy peace, but it will, I believe, be short of war.

In any event, Russia is in no position to wage a successful hot war. To win a war against the free world requires more agricultural capacity, more industrial capacity, and more and better transportation facilities than Russia has or will have within many years.

If we are successful, as I think we will be, in avoiding war with Russia, we can turn our thoughts to the achievement of peacetime prosperity.

Components of Peacetime Prosperity

Many components have a bearing on peacetime prosperity. I would like to speak about three of the major components:

(1) Intelligent, far-sighted fiscal and monetary management on the part of the government.

(2) The development and adoption of technical and technological advances by industry and agriculture.

(3) The maintenance of confidence on the part of the public, its willingness to consume goods, and the continuous lifting of its wants.

Look at these factors, one at a time.

Sound fiscal and monetary management is vital in any country, in Canada as well as in the United States. This is increasingly true in our modern interdependent world. The prosperity of all the free nations of the world is bound up together. A serious inflation, or a serious recession, in any one of them would affect all the others. We are concerned in the United States that the policies which we adopt shall have a stabilizing influence not only within our own borders, but also shall contribute to stability in the economies of our friends and neighbors.

During the past 20 years, financial initiative in the United States went to Washington. Before that time, financial initiative rested largely in the hands of the financial managers of our free enterprise system. Their efforts, governed largely by the natural law of supply and demand, set interest rates and controlled the supply of money. Now, however, the United States Treasury, along with the Federal Reserve Board, sets interest rates and maintains almost complete control over the money supply and, accordingly, to a very substantial degree, over the economic destiny of our nation. The only monetary factor beyond Washington control is savings—which, under certain circumstances, are stepped up as a result of government actions, and which, in spite of their indispensable value to the nation, can be detrimental to a prosperous economy if not properly employed in dynamic economic activity, such as capital expenditures. With Washington in control, fiscal and monetary management is the first key to United States prosperity, and, indirectly, yours. On the other hand, the free enterprise system and our society are susceptible to grave injury by unsound fiscal and monetary management.

Inflation, the Result of Unwise Fiscal Policy

Take a specific case: the inflation, which halved the value of our United States dollar, came largely as a result of unwise fiscal and monetary measures.

This inflation came about because of vast public deficit spending — some of it necessary, but much of it wasteful—which led to a huge increase in the supply of money as surely as though additional money had been printed. This, combined with a shortage of consumer goods, made an evil combination which could result only in slashing the value of our money. The nation, as a whole, was seriously hurt as prices rose. Savings lost value. Millions of people were pinched by the soaring cost of living. The government knew this, and had at its command techniques of monetary and fiscal control which could have greatly restrained this erosion process.

But there was a powerful group in the Treasury who saw only a narrow Treasury problem of depressing interest rates on government securities. They pressured the Administration into overriding the broad concern of the nation in a stable dollar in order to artificially hold down interest rates. The rates were held down by pegging the price of government bonds through unlimited Federal Reserve purchases, thus geometrically expanding the supply of money on top of that caused by deficit spending. The resulting inflationary impetus, postwar, of course brought out cries from all sorts of groups within the nation, whether pressure groups or otherwise. As nearly always happens when one makeshift expedient is adopted, other makeshifts followed in attempts to correct the results of the first. Wage, price and direct credit controls were imposed in attempts to sweep back the inflationary effect of artificially low interest rates with their accompanying increase in the money supply. A myriad of conflicting and temporizing solutions thus took the place of any sort of carefully thought out, long-range program designed to bring a stable dollar. There could be no doubt from the first what the outcome would be.

Good fiscal and monetary management can lead toward prosperity, although not as surely as bad fiscal and monetary management can lead to inflation and all the evils that flow from it. Good monetary management probably can help somewhat to restrain economic trouble before it starts, or act to provide a favorable climate in which a recovery can get under way.

But what is important to note at this time is that firm handling of problems in boom times is more vital as a component of long-term prosperity and calls for much more courage than proper handling of problems in recession. This is as true in Canada as in the United States. There is always a tendency on the part of any government to make enthusiastic application of highly inflationary measures at the first indication that an adjustment is needed.

Such action is the beginning of real trouble. Having made this premature move may prevent countless much needed corrective adjustments from taking place later. It will let loose great inflationary forces, and probably will pose the most grave threat possible to long-run, sound economy. So, as I said earlier, the time to consider prosperity is when you have it. It is far easier to protect it than to retrieve it.

The second component of prosperity, as I see it, is the development and adoption of technical and technological advances.

To anyone who has investigated, the flood of scientific and technological advances since World War II seems incredible. Advances have been made on every front, promising and delivering better products, increasing production, lowering costs, raising margins of profits, making possible lower consumer prices and good wages, and using critical supplies and materials to better advantage.

Individually, these developments achieve special, important tasks. But, as a group, they accomplish a far more important job.

Until recently, it seemed impossible to create a productive community without becoming bogged down in the evils of over-industrialization. Now, we know much more about the management of decentralized organizations.

It is no longer necessary to concentrate our business where there are teeming swarms of people. It is no longer essential to cluster around a source of supply, or to seek a port or railway center.

Since 1940, almost half of the 28 million national population increase in the United States has taken place in suburban areas—10 to 40 miles from towns. More than three-quarters of the 2,658 industrial buildings constructed in the New York area in the period 1946-50, for example, went up outside of cities. This is indicative of what is happening everywhere.

Efficiency in the use of traditional fuels has risen rapidly, and the end is not in sight. Further important steps are being taken to bring down the cost of atomic power and make it generally available.

If private business were free to develop atomic power commercially, it would prove to be an expensive process; but in spite of the vast costs involved, far-seeing American companies are planning to go to work seriously on atomic energy as soon as the government permits.

At present, the over-all cost of atomic power, including the original investment in plants, is higher than with traditional fuels. Nevertheless, it has been reliably estimated that if the government were to assume the main original construction cost of the equipment—an investment which would pay off in lower cost of plutonium for government use—power can be generated from atomic fission for less than the cost of generating power from coal; and there is nothing to prevent the generation of power by this means almost anywhere, in Canada and the United States. And since you have become so important a supplier of raw materials for atomic fission, this can be a development of great importance to your economy.

Another factor where technical and technological advances will have vast long-range economic effects is in the application of science to food production. If past performance is any indication, there are great miracles yet to come in technology applied to food production. We already have wheat that can be cultivated to survive under all sorts of adverse conditions of climate, to have a high degree of immunity to pests and diseases, and to produce more pounds of finished flour per acre than farmers and millers 50 years ago would have thought possible. It has been stated by competent observers that one of the most important developments of the next few years could be the expansion of the wheat belt well up into the Artic Circle. Your North Country is expected to become an important source of food for a world that is rapidly outgrowing its food supply, despite current surpluses in the United States and Canada.

In the South, too, there are important developments. For example, a new breed of beef cattle has been developed in Texas to meet the peculiar conditions of the Gulf Coast country, where conditions are semi-tropical. As a result of this and of the development of grass farming, the entire South has become an important beef-producing area — which was unthinkable 20 years ago.

The science of chemical additives to foods for farm animals is another advance that is changing the food-animal industry. These additives — hormones, vitamins, and other compounds—are creating remarkable changes in the food-bearing qualities of animals. With today's scientific feeding, the number of starting animals that will grow to maturity and the usable food content of these animals will be increased far beyond anything thought possible even 10 years ago.

Science has a way of surprising us — turning abrupt corners and coming up with entirely new ap-

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*An address by Mr. Shanks before the 39th Annual Meeting of the Association of Canadian Advertisers, Toronto, Can.

Instalment Purchase Expansion In Britain

By PAUL EINZIG

Noting growing use of instalment purchases in Britain during recent months, despite government opposition, Dr. Einzig points out the instalment purchase system is now well established in Great Britain, and has become an important factor in the nation's economy. Says this development is result of the Welfare State philosophy, which eliminates need for individual savings.

LONDON, Eng.—There has been a remarkable increase in the volume of instalment credit purchase transactions in Britain in recent times. This in spite of the fact that the government remains unfavorable to this type of credits, and refuses to relax the restrictions placed on their terms as a means of discouraging consumer demand. The total of hire-purchase contracts was in May about 33% higher than 12 months ago. The available statistics cover only semi-durable goods such as private motor vehicles, commercial motor vehicles, industrial and agricultural equipment, aircraft, etc. No figures are available concerning non-durable household goods and other consumer goods, but there is reason to believe that the amount of instalment purchases of radio and television sets has shown a sharp rise, owing to the expansion of television in Britain during the past 12 months.

Dr. Paul Einzig

For better or for worse, the instalment purchase system has established itself in Britain. Even though its relative extent bears no comparison with the United States, it has certainly become a factor of importance in the British economy. A large number of finance companies specializing in hire-purchase finance have been established since the war. Most of them command but modest resources, but their total resources is by no means inconsiderable.

The explanation of this increase in the popularity of instalment-selling business is partly in the development of the welfare state. The average incomes of the lower income groups are now higher than before the war, even after allowing for the rise in prices. This means that many people are in a better position to buy goods beyond the bare household necessities for current consumption. They have not the ready cash, but their current earnings leave a sufficient margin to cover their commitments regarding instalment payments on television sets, motor cars, etc. They are willing to assume such commitments, owing to the prospects of continued full employment. Before the war many workers were afraid of buying on deferred payments, owing to the ever-present risk of being unable to keep up the monthly instalments if they should lose their jobs. Today that risk is considered negligible.

For the same reason, and also as a result of the extension of social services since the end of the war, many employees no longer consider it essential to save part of their earnings "for rainy days." Before the war all responsible heads of households considered it their duty to put aside some money their duty to put aside some money to provide for unexpected expenses in cases of illness in the family. This contingency is now covered by the National Health Service. Old age pensions have reduced the need for saving for old age, even if their inadequate amount has not removed the need for it altogether. To the extent to which lower income groups are now covered by social services, they can afford to spend more in the form of instalment payments.

To the extent to which instalment purchases are confined to means of production in the wider sense of the term, they serve a very useful purpose. They assist farmers and small industrial firms to increase their productivity, which they would be unable to do in the absence of hire-purchase arrangements.

When it comes to semi-durable consumer goods, doubts are entertained in many quarters about the advantages of the system. It certainly tends to stimulate consumer demand at a time when purchasing power is still excessive, in spite of the government's efforts to mop up some of the surplus. It is bad enough if a large section of the community lives right up to the limit of their earnings. It is worse if they live beyond their incomes by mortgaging their future earnings. There is everything to be said for the anticipation of future incomes for the sake of covering essential requirements. The government is encouraging house mortgage arrangements. Under a recent scheme this has now become possible by the initial payment of only 5% of the purchase price of building costs. The purchase of essential furniture and household goods also deserves encouragement.

When it comes, however, to large-scale purchases of motor cars and television sets on the instalment system, there is a strong case against the extension of credits for that purpose. It is true, it contributes to the prosperity of important industries. But it does exaggerate domestic demand, and thereby reduces the inducement for these industries to work for export. It is much too easy, to find buyers at home, and there is less pressure on businessmen to face the difficulties of selling abroad.

Moreover, the steady increase of the number of motor cars has raised the problem of the inadequacy of the road system to cope with the larger traffic. There is growing pressure on the government to spend much larger amounts on road construction. This could and should be done during a period of trade recession. Under full employment, however, it would necessarily produce an inflationary effect, in addition to diverting more productive resources from export trade to domestic requirements.

Continued from page 4

The State of Trade and Industry

makers were in production last week. Studebaker resumed its South Bend (Ind.) car building after a week's shutdown but will be idle again this week.

"Ward's" noted that car and truck output in Canada increased slightly last week. So far in 1954 such volume is 9.3% behind a year ago. In the United States, production is lagging 1953 by 10%.

Steel Output Scheduled at 72.6% of Capacity This Week

You can count on steel demand and production being pretty good the rest of this year. The summer vacation period may slacken activity a little, but the effect won't be sharp, says "Steel" the weekly magazine of metalworking, the current week.

Business can't help but be good with so much construction going on and, it adds, what's more, construction is going to continue at a high rate. Contractors signed up more new business during May than ever before in that month. Those contracts will provide work and require materials over the next several months, and, in some cases, into next year. A private agency keeping a record of construction says dollar volume of heavy construction contracts in May of this year was 33% over that of the comparable month a year ago and 25% above that of April of this year. The United States Departments of Commerce and Labor report that new construction put in place rose seasonably to a May record of $3.1 billion and made a new record for the first five months of $13.2 billion.

The record level of expenditures results from unprecedented activity in construction of office buildings, shopping and service establishments, schools, churches, public utility and water and sewer lines and roads, this trade organ continues.

The construction boom is reflected in steel shipments "Steel" points out, stating, construction and contractors' products accounted for 20.1% of all of the finished steel shipped by mills in April of this year, compared with 15.9% in the like month of last year. Although mills' total April shipments were lower than they were last year, the increase in percentage to construction and contractors' products gave them almost as much tonnage as they got in April last year. The comparisons are: April of this year, 1,017,714 net tons; April of last year, 1,096,832.

Not only will construction help support a good rate of steel business but so will metal goods makers who will be coming back into the steel market upon completing liquidation of steel inventories. Too, the touchy international situation suggests that defense demand will not diminish; if anything, such demand may rise appreciably, this trade weekly declares.

All of this indicates that employment the rest of the year will be high. People will have money to spend and they will be good customers of the metalworking industry.

Reflecting the underlying strength of business, steel ingot production the past week rose another half a point. The national average of output was 73.5%, highest since mid-February. This marked the sixth consecutive week of increase, states "Steel."

The American Iron and Steel Institute announced that the operating rate of steel companies having 96.1% of the steelmaking capacity for the entire industry will be at an average of 72.6% of capacity for the week beginning June 21, 1954, equivalent to 1,731,000 tons of ingots and steel for castings, as against 1,725,000 tons and 72.3% (actual) a week ago.

The industry's ingot production rate for the weeks in 1954 is now based on annual capacity of 124,330,410 tons as of Jan. 1, 1954.

For the like week a month ago the rate was 71.2% and production 1,698,000 tons. A year ago the actual weekly production was placed at 2,183,000 tons or 96.8%. The operating rate is not comparable because capacity was lower than capacity in 1954. The percentage figures for last year are based on annual capacity of 117,547,470 tons as of Jan. 1, 1953.

Electric Output Makes Further Gains the Past Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, June 19, 1954, was estimated at 8,850,000,000 kwh., according to the Edison Electric Institute.

The current figure represents an increase of 192,000,000 kwh. above the preceding week, and an increase of 521,000,000 kwh., or 6.3% over the comparable 1953 week and 1,596,000,000 kwh. over the like week in 1952.

Car Loadings Rise 13.9% Above Preceding Holiday Week

Loadings of revenue freight for the week ended June 12, 1954, increased 85,268 cars or 13.9% above the preceding week. Memorial Day holiday week, according to the Association of American Railroads.

Loadings totaled 697,583 cars, a decrease of 99,669 cars or 12.5% below the corresponding 1953 week, but an increase of 66,541 cars or 10.5% above the corresponding week in 1952, which was affected by a strike in the steel industry.

U. S. Auto Output In Latest Week Was Estimated at Slightly Above Preceding Period

The automotive industry for the latest week, ended June 18, according to "Ward's Automotive Reports," assembled an estimated 115,485 cars, compared with 113,568 (revised) in the previous week. The past week's production total of cars and trucks amounted to 135,655 units, a moderate rise above last week's output of 133,704 units. Production in the United States is presently lagging 1953 by 10%, states "Ward's."

Last week, the agency reported there were 20,190 trucks made in this country, as against 20,136 (revised) in the previous week and 17,278 in the like 1953 week.

"Ward's" estimated Canadian plants turned out 5,010 cars and 1,253 trucks last week, against 4,623 cars and 985 trucks in the preceding week and 8,141 cars and 3,478 trucks in the comparable 1953 week.

Business Failures Hold Steady

Commercial and industrial failures showed little change in the week ended June 17, totalling 207 as against 206 in the pre-

ceding week, Dun & Bradstreet, Inc., reports. Casualities were considerably heavier than a year ago, however, when 167 occurred or in 1952 when the toll was 151. Continuing slightly below the pre-war level, mortality dipped 17% from the 249 recorded in the similar week of 1939.

Wholesale Food Price Index Dips Sharply in Latest Week

The general downward trend in foodstuffs continued for the third successive week, carrying the Dun & Bradstreet wholesale food price index for June 15 to $7.23, the lowest level since March 2 when it stood at $7.21. The current index is down 1.8% from last week's $7.36, and marks a decline of 3.1% from the all-time high of $7.46 set on May 25. The latest figure is still 11.1% above the $6.51 of a year ago.

The week's sharp dip reflected lower prices for flour, wheat, rye, hams, bellies, lard, butter, sugar, coffee, tea, cocoa, steers, hogs and lambs. Advances occurred only in corn, oats, cheese and eggs.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Reflects an Irregular Trend the Past Week

The general level of prices trended moderately downward the past week. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., finished at 271.80 on June 15, comparing with 274.30 a week earlier and with 274.53 on the corresponding date last year.

Leading grain markets were irregular with prices showing little change from a week ago. Wheat held about steady with the expanding Winter wheat harvest and a general lack of commercial and export buying acting as a deterrent to prices.

The Government June Crop forecast was much improved over a month ago, the Winter wheat yield being estimated at 740,000,000 bushels and Spring wheat at 260,000,000, indicating a total crop of 1,000,000,000 bushels.

Some concern was shown by Brazil trade interests over the high price of 87 cents set as the minimum for exports and a recent report indicating a decline in United States imports of Brazil coffee over the past two years.

Spot cotton prices continued to fluctuate in a narrow range with final quotations slightly lower than a week ago. Reported sales in the 10 spot markets increased moderately and totalled 55,800 bales, compared with 47,100 a week earlier and 41,300 in the corresponding week a year ago.

Supporting factors during the week included moderate mill and export price-fixing and some buying influenced by concern over the Far Eastern situation.

CCC loan repayments during the week ended June 4th were reported at 75,700 bales, bringing total repayments on 1953-loan cotton through that date to 1,400,500 bales. About 5,430,500 bales of 1953-crop cotton remained under loan as of June 4.

Trade Volume Registers Slight Gain For Week But Holds Under Level of a Year Ago

Retail sales in the period ended on Wednesday of last week were slightly higher than in the previous week but remained below the volume of a year ago. Relaxed credit terms and reduced-price promotions were employed by many merchants to improve shopping interest, and the largest number of sales occurred in medium and lower priced items.

The total dollar volume of retail trade in the week was estimated by Dun & Bradstreet, Inc., to be 2 to 6% below the level of a year ago. Regional estimates varied from the comparable 1953 levels by the following percentages: New England —5 to —9; Midwest —4 to —8; East and Pacific Coast —2 to —6; South and Southwest 0 to —4 and Northwest +2 to —2.

Total apparel sales improved slightly over the volume of a week ago. However, demand for women's and children's clothes remained poor. The best sellers in women's lines were sportswear, lingerie, piece goods, toiletries and beach wear.

Sales of men's clothing increased markedly in all sections of the country and were estimated to be about 10% higher than last year at this time.

Wholesale buying in the period ended on Wednesday of last week was heavier than that of the previous week but below the level of last year at this time. A pattern of buying similar in volume and order timing to that of 1950 is discernible in many wholesale markets.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended June 12, 1954 declined 1% below the level for the preceding week. In the previous week *June 5, 1954, a decrease of 18% was reported from that of the similar week in 1953. For the four weeks ended June 12, 1954, a decrease of 5% was reported. For the period Jan. 1 to June 12, 1954 department store sales registered a decrease of 3% below the corresponding period of 1953.

Retail trade volume in New York City the past week rose slightly above the like period a year ago as a result of ideal weather and worthwhile furniture promotions. Advance purchases for Father's Day, however, registered a mild decline below that of last year.

According to the Federal Reserve Board's index department store sales in New York City for the weekly period ended June 12, 1954, registered a drop of 3% below the like period of last year. In the preceding week, *June 5, 1954, a decrease of 14% was reported from that of the similar week in 1953, while for the four weeks ended June 12, 1954, a drop of 2% was reported. For the period Jan. 1 to June 12, 1954, a decrease of 1% was registered from that of the 1954 period.

*In using year ago comparisons for the weeks ending June 5 and May 29 allowance should be made for the fact that in districts observing the Memorial Day holiday, store closings occurred in the week ending June 5 this year whereas last year they occurred in the previous week.

"Putting Overalls on Dollars"

By ARNOLD GRUNIGEN, JR.*

Sales Manager, J. Barth & Co., San Francisco
Governor, National Association of Securities Dealers, Inc.

Asserting we are living in the hour of capitalism's greatest trial and greatest opportunity, Mr. Grunigen discusses the role of securities distribution and ownership in the economic growth of the nation. Stresses value of research, and urges security dealers "get on speaking terms with labor in all its facets." Praises sales promotion work of IBA and NYSE.

With apologies to Edgar A. Guest, who in 1928 wrote "Lines to Bond Salesmen"—for an up-to-date change I have dared to make (changing Bondmen to Stockmen), I give you:

Who are the boys with stylish hats?—*The Stockmen;*
Who always put on pearl gray spats?—*The Stockmen;*
Who speak a language somewhat strange,
And use such terms as "yield" and "range,"
Picked up along the stock exchange?—*The Stockmen.*
Who are the boys with snappy ties?—*The Stockmen;*
The lads with yearning in their eyes?—*The Stockmen;*
Who come and go and come once more,
And line up at my office door,
And wait on me from nine to four?—*The Stockmen.*
Who oftenest call and longest stay?—*The Stockmen;*
Who always have nice things to say?—*The Stockmen;*
Who whisper with no show of mirth:
"This is the greatest buy on earth!
Take just ten thousand worth."—*The Stockmen.*
Who won't believe that I am broke?—*The Stockmen;*
Who think my debts are all a joke?—*The Stockmen;*
Yet — who my great ambitions spur,
And feed my hopes, it may occur
Someday—I'll be their customer?
—*THE STOCKMEN.*

Thank you for the opportunity to discuss with you some basic issues, some facts, some principles, and some of the sentiment back of this happy venture called Investment Banking, the investment securities business.

*Keynote address by Mr. Grunigen at the Third Annual Conference, California, California Group, Investment Bankers Association of America, Santa Barbara, Calif., June 21, 1954.


Arnold Grunigen, Jr.

Ours is a responsible business, calling for courageous discharge of duty. Tact and diplomacy rate high on the list of attributes most desirable. Not so much cleverness as wisdom and integrity, a fine sense of balance between counselling and selling, makes a good security man—not all one or the other.

Ten thousand above-average young men and a thousand courageous young women are needed in the investment securities industry. Motivators, self-starters, workers, and thinkers—men and women not afraid to "put out,"—who will not even allow huge income taxes to put out the flame of initiative.

We are living at the hour of capitalism's greatest trial and greatest opportunity.

This is a day for dedicated intelligence in one of the greatest businesses in the world. The distribution of stocks and bonds to the American public from now on demands that you refuse to conform to outworn conventions.

Fear, the disease of all diseases in much of our torn world, need not run rampant in our nation. Our nation has become great with reverence and time for God, with great courage and hard work. There is no need of our becoming soft and flabby, lazy and ineffective. We are in Santa Barbara, Calif., to talk about a profession that is making a positive and telling contribution to a robust Americanism, which can and will, if we dedicate ourselves to it, roll Communism out "feet first."

Investment Business Requires Knowledge

Investment bankers, young and old, cannot get by with meagre intellectual curiosity. We must consistently improve our minds in scholarly pursuits. We never arrive—our business is all-absorbing. It takes us into every nook and cranny of industry, commerce, trade, and national life. Everything—interest a securities dealer. It is a fast, full-orbed, kaleidoscopic business.

Our neighbors in the Kremlin had been hoping we would become completely lazy, ineffective, and fully satisfied. What a blow, if we do not capitulate to ease and lethargy, and fire sledge-hammer blows for democracy and capitalism.

And—ours is no mean contribution. Corporation stocks in the hands of butchers, bakers, and candlestick makers will mean a more virile, interested, and effective citizenry. That's why we need thousands of top-flight people to incite millions of owners of money, to urge them into active, personal participation in direct ownership of shares in America.

We are part of a tremendous enterprise. We have an inspiring opportunity.

Of course it's kaleidoscopic—whatever affects our whole national economic picture affects the purchase and sale and the quotations of our securities.

Some Serious Problems

Let's not deny or minimize the serious problems we have in our business. The "spread" between what the dealer pays for, what he buys and receives for what he sells, is one. Private placement is another.

We operate in a wonderful country Our economy is sound and dynamic.

Meetings like this one spark progress for our industry. We are making a determined effort to lengthen our cords and strengthen our stakes!

Our customers—many of them —rely on the income from the securities we sell them for their

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N. Y. Accountants Predominantly Optimistic

At their Annual Conference held at Saranac Lake, N. Y., majority express view conditions for business and industry during remainder of year will grow better.

SARANAC LAKE, New York, June 21—General Optimism about coming business conditions was expressed here today by members of the New York State Society of Certified Public Accountants attending the society's 21st Annual Conference at Saranac Inn.

In a survey taken this afternoon, 43% of the CPAs said that they believe conditions for business and industry during the next six months will grow better. Forty-five percent said they expect conditions to remain about the same as today, and only 12% suggested that business activity will fall off further.

Asked about long-range conditions over the next 12 months, the CPAs were even more optimistic. Sixty-two percent state that they expect the economy to be better a full year from now, and 26% gave the opinion that it wil be as good as today. Twelve percent said they think it will be worse.

However, the Society members at the Conference were somewhat pessimistic about prospects for small business. Forty-seven percent said they believe that conditions for small business during the next year will not be as good as for big busines, and the same percent said that small business will stay about the same as big business. Only 6% predict that small concerns will be better off.

As far as New York State is concerned, the CPAs took a position of qualiifed optimism. Seventy-one percent stated that they think New York's economy will be about the same as the national average, while 21% expect it to be better. Eight percent think that business conditions in this state will fall below the national average.

Over 350 certified public accountants and guests from all sections of the state are attending the Society Conference, which closed yesterday (June 23.) Principal speaker was T. Coleman Andrews, U. S. Commissioner of Internal Revenue. Technical sessions were devoted to questions of auditing and general management services of the public accounting firm.

Continued from page 15

"Putting Overalls on Dollars"

livelihood. Our products are basic.

Providing the training needed in our business is expensive in terms of money, manpower, and facilities. But we know that it is worth it if our men of the future are to be the men we want them to be. We need good citizens and leaders. Ours is no hit-and-miss affair. Research and analytical studies reduce guesswork. Nor is it a business that one enters on any temporary basis. It is a serious business requiring solid men who are well trained, who are supplied with good securities, and who have real heart interest in investments.

Ours are not luxury items and are not bought to be admired. They are as important and basic to people as conveyor lines and blast furnaces to those who use them in their business.

We expect our men to make money. We plan it that way. We haven't found any other way to stay in business. We like it this way and want to improve the earnings of our men.

A Look at the Future

What about the future? Have we any more than scratched the surface of our market? We look forward with every hope and confidence. Our heart is in this business. We intend to stay in it on the basis of serving well those that impose their confidence and trust in us.

We're putting our blue chips on the American investor, and with work, intelligence, and service, it's a safe bet!

Now for instance, let's get down to cases. Late this month I make my third visit to San Francisco's waterfront to talk to a group (it changes each time) of members of five different waterfront unions. They won't come to us so we must go to them. Some of them are stockholders, some know what and where the Wharton School of Finance is, some are frankly skeptical of us — they think we run "bucket shops" — but our industry simply must get onto speaking terms with labor in all its facets, and it's later than you think, so let's hurry.

Again, for instance, let's "break down" right on our own offices. Equipped with a ground floor location in San Francisco, my own shop advertised an Open House for three nights—Monday, Tuesday, Wednesday — a few weeks ago. We sent out letters, made phone calls, put signs in our windows, and advertised in newspapers and on the radio. Our hours—open till 9 p.m. Our plan — two movies — the IBA's excellent "Opportunity U. S. A." and the NYSE's "What Makes Us Tick." These were shown twice each night, first at 7:00 and again at 8:00. Did we go first class? I'll say we did! Did we shock the fine sensibilities of the Ivy League? Yes, we did! We hired a caterer, took our courage in both hands, served coffee and doughnuts to two groups each evening. During these three days 1,000 men and women came down into the forbidding financial district at night. Even public relations men were flabbergasted. The general public—Ladies and Gentlemen—is more interested in our business than we have been in telling them about it.

The salesman's day is here for our business. We lead the world in production and building, but we are now to put on our selling shoes to get people to buy.

Better training by homes, churches, and colleges will be absolutely essential. Good character, judgment, brains, loyalty, initiative, ideas are on the "must list" in our operation.

We are in the 4th Half Century of our beloved country.

1st Half Century: 1776-1826—"The built"—made the Declaration of Independence effective.

2nd Half Century: 1826-1876—Came the first steps in national development—financed by individual capitalists.

3rd Half Century: 1876-1926—We outran resources of individuals—Distribution arrived—Long distance transmission lines—Highways—Aviation.

4th Half Century: 1926-1976—Let the government "do it all" policy appeared—It gained momentum — now it's slowed up. Some hardy souls dare to say and think "Do it yourself!"

"We Have Drifted Dangerously"

Real American enterprise is not through, but we have drifted dangerously. Our dire need of spiritual development is pathetic.

America never had so much to invest as she does today. Idle or only partly employed dollars are senseless today. Creeping inflation will continue to take its toll with dollar eroding. Investors in our securities become better citizens in every facet of America's life. Nothing works so well. And some inflation protection ensues.

They have said of us in the past that we who constitute this business have:

Silver in our hair,
Gold in our teeth,
Iron in our blood,
but
Lead in our feet.

But gatherings like this one and enterprise that seems on the rise in our business causes me to say "No, thank you!" to defeatist mouthings, and I close this opening keynote to what I know will be a great meeting, with these lines:

There are thousands who tell you it cannot be done,
There are thousands to prophecy failure—
There are thousands to point out to you, one by one,
The dangers that wait to assail you—
But, just buckle in with a bit of a grin,
Just take off your coat and go to it,
Just start in to sing as you tackle the thing
That cannot be done, and you'll do it!

Joins McDaniel Lewis Co.

(Special to THE FINANCIAL CHRONICLE)

GREENSBORO, N. C.—W. J. Arthur is now associated with McDaniel Lewis & Co., Jefferson Building.

THE MARKET . . . AND YOU

By WALLACE STREETE

When the Dow-Jones Rail average reached a new 1953-1954 high, which was not far removed from the 1952 closing top of 112.53, technicians construed it to be a strongly bullish development. While this action by the laggard carriers was long overdue, it surprised most traders, as did the Industrials' ability to recover all ground lost during the early June setback. Instead of regrouping and consolidating, or reacting again to test previous low points, as was generally expected, the Dow Industrials actually posted a new closing high of 329.51.

* * *

But the fact that volume lessened on the advance provided a note of caution to the overall picture. Only once, on Tuesday, did the turnover exceed two million shares. A wait-and-see attitude may be understandable in view of recurrent historical highs by the averages, and the possibility that a secondary reaction might yet carry the market down again and test the recent lows.

* * *

However, there are still too many individual issues whose technical patterns are favorable to indicate that any selloff will be more than an interruption of the longer-range uptrend still in force. Indeed, whether the market declines, advances, or consolidates in a sidewise movement over the immediate period ahead, the likelihood is for further ultra-selectivity, such as that which has characterized the market since September.

* * *

Strong Market Factors

There are three factors, among others, that seem mainly responsible for the impressive recovery back to the old highs. (1) The likelihood that further inflation will take place due to existing war clouds throughout the world, and cause an increase in government defense expenditures. (2) The continued assurance of very favorable dividend yields on common stocks, compared with bonds and other savings media. Corporations will very likely pay out more to stockholders this year, retaining a smaller share of the profits for reinvestment in plant and improvements. (3) Increased confidence in the improving business outlook and the tremendous amount of funds available for investment on every setback.

* * *

Coupled with the announcement this week that the FRB has reduced reserve requirements of member banks, these three factors provide a very favorable background to keep in mind when appraising the present technical market action, and they present a rather strong argument against any protracted drop in the market as a whole.

* * *

Notable on the upside last week was General Electric new, which apparently only awaited delisting of the old stock, before taking over the market leadership relinquished before the 3-for-1 split went into effect. Also strong among the electrical equipment makers was Westinghouse, which spurted 4-5 points on stock split rumors.

* * *

Major fireworks in the market came last Friday in Canadian oils when the FPC approved application of Pacific Northwest Pipeline, rather than West Coast Transmission, to supply gas to the Northwestern part of the United States. Price movements were wide and varied as investors tried to evaluate the benefits or the harm which might accrue to the many companies affected by this decision.

* * *

No Steel Strike?

The steels, meanwhile, turned in a better-than-average performance with representative issues hovering around recent highs. Having rejected demands by the CIO United Steelworkers for a wage boost, Big Steel nevertheless agreed to accept the union's proposal for an improvement in welfare and social insurance programs in modified form. This caused speculation that the thorny issues in this year's contract might be approaching a settlement without a strike.

* * *

The alleged smoking-lung cancer scare — especially the latest indications of a possible correlation between smoking and heart attacks—continues to plague the cigarette stocks. Having rallied briefly after their initial shakeout some months ago, the tobaccos are selling at new 1953-1954 lows. As yet unproven and although smoking is a difficult habit to break, suggestions that the practice may be harmful has dropped per capita consumption of cigarettes below comparable year-ago levels.

* * *

Since there is no technical evidence indicating a pronounced extension of the rise

on the Dow Industrial averages at this point, a policy of lightening position on strength, on a short-term trading basis in many of the higher priced issues, is being recommended by various market analysts.

* * *

However, since the rail averages seem to be still pointing to a new bull market closing high, it is quite possible that the industrial averages will make a corresponding new high by a few points. To be more specific, it is this writer's view that many of the leading stocks in the higher priced bracket are slowly building up more vulnerable distributive top formations. Meanwhile, although there is insufficient technical data to warrant new purchases at these levels in many of these higher priced leading stocks, there are equally good technical reasons for purchasing many stocks not in the averages, that have not been exploited price-wise. For a long time during periods of strength in the popular blue chip issues, many of the medium- and lower-priced stocks have been building strong base patterns, not distributive tops, and are every day reaching new highs.

* * *

Two-Way Trading Affair

In general, it appears that the market may continue to be a two-way trading affair for some time, with periodic dips in the higher priced stocks and in the averages, while other stocks will suddenly attract a following and reach new highs. It is certainly not a time to sell long-term investment holdings, but it is a time to be most careful about what new stocks are purchased. The following miscellaneous stocks, rails and industrials, in the opinion of one astute market technician, look like interesting longer term buys on all periods of minor weakness, regardless of where the averages are selling:

Blaw Knox; General Railway Signal; American Machine & Metals; Colgate Palmolive; Remington Rand; Gimbels; Allied Stores; Montgomery Ward; Celotex; Gulf, Mobile & Ohio; Chicago Great Western; Robertshaw Fulton; Eastern Airlines; St. Louis San Francisco; Kern County Land; Southern Railway; Western Pacific; Flintkote; Armco Steel; Timken Roller Bearing; Sylvania Electric; Chrysler; Columbian Carbon; Federated Department Stores; and Lowenstein.

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Blyth Group Offers Pacific Gas & Elec. 4.50% Pfd. Shares

Blyth & Co., Inc., headed a nationwide underwriting syndicate of 198 members which on June 22 made a public offering of 1,000,000 shares of Pacific Gas & Electric Co. 4.50% redeemable first preferred stock (par $25) at $25.75 per share.

Proceeds from the sale of the new preferred will be used to finance the company's continuing construction program. Expenditures to extent and enlarge the company's facilities are expected to total approximately $340,000,000 during 1954-55.

Pacific Gas & Electric Co., the largest operating public utility in the United States in terms of assets, is engaged principally in supplying electric service to approximately 1,523,000 customers and gas service to approximately 1,207,000 customers (of whom 88% are estimated to also be electric customers) throughout the major part of northern and central California. The system extends into 46 counties containing in the aggregate about one-half of the total population of California. Gross operating revenues of $369,262,000 for the year ended April 30, 1954, were derived 68.9% from electric service, 30.6% from gas, and 0.5% from other activities.

The company has earned and paid its preferred stock dividends in each year since the original issuance of its preferred stock in 1914. The company has paid dividends on its common stock in every year since 1918.

Joins Jamieson & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Koo Ito is now affiliated with Jamieson & Company, Russ Building.

Joins Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

JACKSONVILLE, Fla. — Christine B. Stover has been added to the staff of Merrill Lynch, Pierce, Fenner & Beane, 116 West Forsyth Street.

Joins Pierce, Carrison Co.

(Special to THE FINANCIAL CHRONICLE)

JACKSONVILLE, Fla. — Richard K. Jones has been added to the staff of Pierce, Carrison, Wulbern, Inc., Barnett National Bank Building. Mr. Jones was previously with Clement A. Evans & Co., Inc. in Atlanta.

Joins Conrads & Co.

(Special to THE FINANCIAL CHRONICLE)

ROCKFORD, Ill.—Paul A. Davis has become associated with Conrads & Company, 321 West State Street. Mr. Davis was previously with Hornblower & Weeks and Paul H. Davis & Co.

A Golden Future Is Before Us

By CLANCY A. ISAAC*
President, Tricolator Co., Newark, N. J.

Maintaining there is no basis for an atmosphere of fear which has gripped many Americans, New Jersey manufacturer calls attention to a new political era and changed economic thinking as ground for faith in the future. Decries dismal economic forecasts, and holds America can meet, under free enterprise, current and prospective challenges either from abroad or within our economy.

These are not times to remain silent. I firmly believe that those of us who are dedicated to our way of life, that those of us who believe that our economic and our political thinking — as well as the results we obtain from that thinking must be dynamic, rather than static,—must be productive, rather than complacent—those of us who believe this must lend his voice and all of his energies to the end attainment of this goal.

Clancy Isaac

Let us retrace the past before we anticipate the future. Let us study the present and see where we are heading. Our economic and political thinking changed 20 years ago. 20 years ago we were in a crisis. The crisis did not end for 20 years. In times of crisis emergency measures must be taken; emergency powers must be granted; emergency means must be exercised to gain the end.

We, the people, granted emergency powers and we, the people, applauded the emergency means. Our end was never attained. Lenin said, "The end justifies the means." Our philosophy has always disagreed with this pernicious doctrine. Lenin, at least, had an "end" in mind. Our economic "end" 20 years ago was nebulous, to say the least. Asphyxiation of production was encouraged. We were told, "we were overproduced." Farmers were told not to produce, in fact, we paid them our money-not to produce. Labor was encouraged not to produce. Featherbedding became a new symbol in our economic vocabulary. People were paid not to produce. The popular belief that mediocrity is our goal—the world, or the government, owes us a living became the watchword of the day. The economic philosophy that huge government spending at lowest echelon would bring us prosperity ended in dismal failure. The theory that the outpouring of governmental funds would filter from the masses to bring prosperity for all, regardless of the incentive to produce on the part of all elements of our economic system, ended in an end that never was attained.

Billions were spent. We paid subsidies to drive prices upward. Where were we? These theories started in 1932. I, for one, graduated from college in 1939 and I can well remember where we were seven years after 1932. We were again in a dreadful depression. Jobs were scarce. I am ashamed to admit it but I, and a group of classmates, saw our pictures in our local papers when we received $25 per week jobs upon graduation. It was news!

The crisis was not over. We could not change philosophies in the middle of the stream. But—a new crisis came upon us. Rearmament and war.

War changed our thinking. Then production was the by-word. The war took us out of the depression —from the frying pan of one crisis to the fire of another. Big government became bigger. We lived in the opiate of war-time prosperity. Scarcity of consumers goods was the norm — the petit and grand chisler was the norm—the black market was the norm. Money was in circulation—money just off the presses—money created by deficit spending. Blessings on thee big government. Thou took us from depression and let us into prosperity. What care we what kind of prosperity?—even tho false.

We Were in a Sellers' Market

After the war we were in a sellers' market. Consumers goods were new and people were fighting for them. Big government, used to ever-increasing control on our everyday life spread the gospel of defeat. The hew and cry was to control, control, control. Management could not be trusted —management must be managed. The individual could not be left to the mercy of himself—he must be protected by a new concept of government. Government of the people, by the people and for the people was out of fashion. The people must pay an ever-increasing tax burden so that the people can be protected from themselves. The theory of tax and spend to prepetuate governmental power was successful—it worked. Yet—again it started to slip—as it did in 1939.

Korea stopped the slippage. Our industry—the housewares industry, was depressed. We have two trade shows a year. From the depths of one show, where no buying was evident to the clouds of the next, after Korea, where carloads of unexamined goods were bought, due to fear, involved us in a new crisis of prosperity.

Again big government went through another expansion program. Deficit spending increased —we are again sold "partial control." Through all these years we lived in an environment of deficit spending. Even in the late forties when we were disarming, when national defense was the small part of our budget, big government had to engage in big spending to justify itself—to keep itself in power.

Let us now study the present and see where we are heading. Today we have a new philosophy —today we have new thinking—today we have a new approach. Yet—today we have prophets of doom and gloom.

If we are to stop the trend that we have been discussing, if we are to embark on a new journey there has to be a period or readjustment. If we have considered high take home pay, before taxes, normal — if we have considered 37c dollars normal—if we have considered the black market normal—if we have considered unfair and stifling tax burdens normal—if we have considered continual deficit spending normal—if we have considered crisis as normal then we are heading for either subnormal or abnormal times. Crisis does not beget normalcy—we have known nothing but crises for 20 years. Those that hold that these conditions are normal are crying that "emergency measures must be taken to head off the depression." I don't believe that we have known normalcy in the past 10 — even 20 years. I don't believe in the depression that is forecast. Those who have prospered by government hand-outs, those who have become rich from the black market, those who have merely "taken orders" for the past 10 years and have not known what selling really means — those might cry wolf.

An Atmosphere of Fear

In studying the present we see an atmosphere of fear. Fear of the coming depression, fear of the Kremlin, fear of each other. In order for us to emerge victorious from the very things we fear we must be united. There are those among us who spread discord. The insidious Communist who has burrowed into our government, into our factories and who is trying to burrow into our homes must be routed out. But those who for the purpose of publicity, self aggrandizement and political advantage use the issue to gain a personal end and in doing so create suspicion against the innocent, create distrust among ourselves and disunity in our government commit irreparable harm.

Our national issues have been distorted. Instead of concentration on our major problems we have become involved with a concentration on personalties. Too much newsprint and lip-service is paid to side issues while our major issues are left unattended. In my introduction tonight I said, "Those of us who believe these factors must lend his voice." Today too many are afraid of controversy, too many are afraid of criticism, too many are afraid to take issue. This is dangerous in our America. We must weigh issues and take sides. Once we have taken a stand we must fight for it. In this, our present, we must fight fear. We have nothing to fear. We have the greatest country, the most productive country, we have a free country, we have a country that is blessed by natural resources and we have a country which posses the highest moral standard and is the highest moral force in the world. What or whom do we fear?

A New Political Era With New Economic Thinking

We are now beginning a new political era and we are now changing our economic thinking. No more do we believe that capitalism, free enterprise and production are "dirty words." Our golden future is before us. I'm not going to answer the prophets of gloom and doom and defend a position concerning depression. There is no position to defend. Our change of thinking has been like a breath of fresh air. Philips James Baily said, "It is much less what we do than what we think, which fits us for the future." Our thinking is much straighter than in days of yore. Are we fit for the future?

The census experts say that our population in 1975 should be somewhere between 198 million and 221 million persons. This means a net gain of 24% to 38% by the time our children are ready to vote. This growth will add at least 10 to 15 million families, with vast impact upon our markets, upon our homes, schools and churches; upon the nation's productive facilities, and our transportation, highways, railroads and airlines. We now have approximately 46 million homes. Think of adding 15 million more homes. Add to this new market the continuous rise in the individual standard of living.

In 1929, 49 million people were employed. In 1952, 66 million were employed, in 1975 we anticipate, after analyzing the growth in population, we will have to find jobs for 88½ million people. Who, in our future, will employ these people? Big government or free enterprise? In the past big government was our largest employer. The taxes of the engaged in production had to pay the wages of those in government.

In the future—our 195 million people with 88 million employed will require $700 billion in goods and services as compared with $172½ billion in 1929 and $348 billion in 1952. To produce these goods we will need the 88½ million people employed. To produce these goods American Industry has to expand at all levels. It requires approximately $12,000 investment in capital goods on the part of industry for each worker employed. By extending our present capacities to employ 88½ million people we can easily see how producers goods will have to be abundant to meet this expansion.

A Faith in the Future

With faith in our future, and with faith that our free enterprise system will remain free and unhampered, American industry will meet the challenge and will prosper. You can see that we don't have to have a war to enjoy prosperity. You can see that we don't have to fear the depression forecast so recently—you can see that we don't have to rush into emergency measures, give emergency powers and accept emergency controls. If we follow a sound taxation policy—one that is fair for all—one that will encourage the capital expansion that is necessary — our future can and will be secure.

What about the Kremlin. The Soviets' primary hope is for an American Depression—or American bankruptcy caused by unwise fiscal policies—or by over-arming for small wars. Our foreign policy has been a much more dynamic one of late. Our ability to produce will be the most important element of material strength we have against this foreign threat. Our production will insure prosperity —it will afford us the defensive weapons necessary to forestall aggression.

We must demonstrate to our allies—to the world—that we are not sore afraid. We must present to them a dynamic program to combat the revolutionary propaganda that is spewed forth from Moscow. We must prove that we can prosper in peace and that a world-wide peaceful prosperity is our aim. The entire world is afraid of war—they are afraid of the two opposing colossi. We must, through the United Nations, present a program of world lawfulness dedicated to the outlawing of war — dedicated to an over expanding prosperity based upon investment on the part of business rather than by governmental investment for stockpiles to provide against the war potential. If we fostered such a program, fear on the part of a great proportion of the world would vanish. Fear might intensify behind the iron curtain. With the moral force of our leadership in fostering world peace and security through world productive prosperity — rather than false prosperity by crisis—the people of the world would rally to our side — our future would be a secure and happy one.

Maeterlinck said, "The future is a world limited by ourselves." We are in league with the future—a future that has no limit—since—we, in America have no limit. The horizon is ours—but we must be worthy of the task. The stakes are great and so must be our effort. With full recognition of our mistakes of the past we have, to date, built a nation, a society such as the world has never known. We are about to know the promise of tomorrow, we are about to be worthy of our world wide role, of leadership, in building a community based on decency, upon the dignity of man dedicated to peace and prosperity.

*An address by Mr. Isaac at the 28th Annual Northern New Jersey Industrial Conference, sponsored by the Industrial Management Club of Newark, N. J., at Camp Wawayanda, Andover, N. J., June 7, 1954.

Impact of Electronics on Bank Operations

Speakers at Convention of the American Institute of Banking stress sweeping changes in next five to ten years by use of electronic devices, including television.

The Annual Convention of the American Institute of Banking, educational organization sponsored by the American Bankers Association, meeting at Los Angeles, Cal., from June 7 to 11 heard various reports on electronic advances which will make sweeping changes in bank operations during the next decade. Concerning this topic, George W. Meyer, Assistant Vice-President of the American Trust Company, San Francisco, Cal., stated:

"The impact of electronics in banking will surely affect all sizes of banks—both large and small," Mr. Meyer continued. "It is true that large banks will be affected more than small banks. They have large departments and a larger volume of transactions handled in one place. But the impact of this new accounting equipment is so great that all banks—large and small—are sure to feel its effect.

"Let's take a look at how one of these electronic machines might work, maybe five years from now, in your bank.

"Each teller would have at his teller's window a small machine which would look about like a desk adding machine. When a customer comes up to the window to cash a check, your teller would enter the customer's account number and the amount of the check on his little adding machine gadget. First the machine would immediately indicate to the teller if the customer's account had a sufficient balance to cover the check. If this was the case, the teller would pay the amount of the cash to the customer, thus completing the transaction as far as the customer is concerned. At the same time, each adding machine would be connected to a central electronic accounting machine which keeps track of each customer's balance. In this check cashing transaction, the amount of the check would also have been subtracted from the customer's balance, at the same time, thus posting the cashed check to his account; or the cashed checks could be rapidly posted to the different accounts all at the same time, at the end of the day. At a later time, the customer's statement could be prepared automatically.

"You can see that this type of operation, which would use electronic equipment which has already been developed, could substantially speed up the internal proof and bookkeeping work of a bank. Commercial accounts could be very easily handled on electronic equipment if it were not necessary to be able to tell on a moment's notice what each customer's balance might be. As a partial answer to this problem, it might be possible to segregate a bank's commercial accounts into two types of account: those where it was very seldom necessary to refer to the balance and those where this type of reference was more frequent.

Handling Loan Payments

"Another type of bank operation which might use electronic equipment would be the handling of a loan payment. The interest on the loan can be figured, then subtracted from the total payment to obtain the amount of the principal payment. Then the principal payment can be subtracted from the loan balance to obtain a new balance.

"Many banks are large enough to use electronic machines on a wide variety of other jobs. They can prepare a payroll almost automatically. They can be used in trust accounting, if your bank has

a trust department. It is possible to use electronic machines in savings department bookkeeping and for the keeping of safe deposit records. In some cases, this equipment might be helpful even in posting of the general ledger and preparation of the bank statement. It can also be used for handling interest accruals and distribution of income and expenses to the various departments of the bank.

"There is still another way that all banks will feel the impact of electronic accounting machines. You no doubt have read of the progress that has been made in automatic machinery in factories. There, hand processing of material is rapidly being replaced by automatic machinery. Office procedures, including bank operations, have lagged very far behind by comparison. Many bank operations are being performed in a manner which is of the horse-and-buggy age, as compared with the fancy automatic operations which are used in many factories. This tendency of factory operation to increased automation of hand processes will inevitably carry over into clerical procedures.

Will Increase Employment

"At this point you may say, 'They are putting in this new automatic equipment, and I can see a lot of clerks being thrown out of work.' As a practical matter, however, there is little to fear regarding the technological unemployment of employees. The conversion to electronic forms of accounting will be a gradual process. Reductions in operating costs will make it possible for banks to extend the convenience of banking service to more people. This would have the effect of increasing employment in banks rather than decreasing it.

"Banks have been through a period of favorable economic conditions," Mr. Meyer continued. "It is entirely possible that some day the profit margin of banks may be narrowed because of changing economic conditions. Loan losses may increase. Interest rates on loans may go down. Operating costs possibly could go up. Such conditions might create an economic squeeze on banks which would reduce their earnings. In such a situation, a bank which has been able to reduce its operating costs by the use of progressive procedures and advanced banking equipment will be much more apt to survive than a bank which has done nothing to keep up with technological developments in the banking field.

"Electronics is bound to have a substantial impact on banking. We all are certain to be affected by this change."

Television's Role

The use of television at public counters, along with other electronic equipment now available, can cut down the time a bank customer must spend at the teller's window to only a few seconds, Leonard P. Chamberlain, auditor, The Provident Institution for Savings in the Town of Boston, Boston, Mass., informed the AIB Convention. Mr. Chamberlain addressed the Savings and Mortgage Conference at the 52nd Annual Convention of the American Institute of Banking in the Hotel Statler. The AIB is the educational section of the American Bankers Association.

Mr. Chamberlain said that partial installation of the new system in his own bank has already proven that depositors need to spend only an average of 10 seconds at a teller's window to make a deposit and 35 seconds for a withdrawal.

The Boston banker predicted that the TV and "electronic brain" system "will aid even the smaller-community banks. Electronics, as applied to mechanical accounting for banks, has now been developed to a point where its installation provides an economic gain as well as safer and more accurate records for even the smaller banks.

"The principal advantage is faster service to customers at bank counters, in addition to mechanical accounting which starts at the public counter and is automatically completed in the accounting department, even though the latter may be three or four floors distant from where the teller and the bank's customer are conducting their business."

Describing the system being installed in his bank, Mr Chamberlain said, "A combination of circuits embracing microphones, TV cameras and screens, and electronic machines is used. They are already enabling the tellers to serve depositors at any of the tellers' windows in a period of from seven to 35 seconds. As soon as other machines are installed, at the same time the transaction is taking place at the public counter, it will be automatically entered in the records of the bank's accounting department on another floor.

"The system operates when the teller takes the depositor's book and recites the book number into a microphone. A loudspeaker in the accounting department on another floor repeats the number, and an accounting clerk immediately drops a card showing the depositor's balance and also his signature under a TV camera. The card appears on a TV screen concealed in the counter at the teller's desk. The deposit or withdrawal is then recorded by the teller in the depositor's book by using a sensimatic counter machine. This machine, at the same time as it enters the record in the depositor's book, transmits electronic impulses to the accounting department where they are recorded on a tape. All of this takes from seven to 35 seconds.

"The tape cannot be read by the human eye, but when it is fed into an electronic machine, it automatically records the transaction onto a permanent bank-record card. This machine can punch 42 digits on a record card in two seconds.

"I do not believe the present cost of installation of the entire system, including the TV features, would warrant its adoption at this time by smaller banks," Mr. Chamberlain said. "I am confident, however, that the installation of the electronic features of the system today would reduce costs of accounting and produce a safer control of accounting for any bank, regardless of size. It definitely reduces the size of records and also the number of employees necessary to keep them. At the same time, it eliminates chances of careless or fraudulent bookkeeping, in that only the electronic machines can make changes in or additions to the bank's records."

Daniel Fitzpatrick Opens

BAYSIDE, N. Y.—Daniel Fitzpatrick has opened offices at 75-20 Bell Boulevard to conduct a securities business.

Problems of Fuel Costs in Generating Atomic Power

By JOHN R. DUNNING*
Dean of Engineering, Columbia University

Dr. Dunning discusses problems and possibilities of reduced fuel costs in generating electricity by the use of atomic energy. Foresees higher costs of conventional fuels in future and says alternative fuel supplies will be needed as brake on fuel prices. Comments on capital and operating costs in generating power with atomic energy fuels.

No one today is questioning if atomic power can be created. That has long since disappeared. Everybody agrees that atomic power can be generated, technically. The only questions arise as to what are the capital and operating costs going to be, and of course back of that, which of the four or basically different kinds reactors are really going to be the ones most useful and effective economically; and third, what is the tie-up schedule going to look like? These are the three main differences of opinion at the present time.


Dean J. R. Dunning

Just to highlight a few of those and not to get into the technical phases of it, there is a widely differing school of thought as to whether fuel elements should be solid fuel, canned in stainless steel or zirconium or some of the other materials, perhaps some of the more exotic materials, even, or whether they should not be solid. We might as well recognize as we run up in power to temperatures which are almost unlimited, limited only by the materials in the atomic furnaces, we have to face whether we might as well have the fuel in fluid slurry or liquid form or molten form right at the start.

Since the whole body of experience up to now has evolved around solid fuel elements, there is not much use or much question but what the first atomic power plants, as indeed the submarine power plants and the planning of the Westinghouse Duquesne units, will be solid fuel elements. Whether the rapidly growing interest in having homogeneous type, fluid type fuels, will continue and bring that in rapidly during this next five years or ten years, and whether they will eventually replace the solid fuel elements is a matter for considerable argument. Personally, I have always liked, as you know, the homogeneous elements but there is no question but that the solid fuel elements work very well and they will undoubtedly find their own level economically and technically.

One reason why the situation is serious is that the very high cost in the separation and fuel processing ends which are really practically the major end on which we need some hard work. In principle, this little one-inch cube of uranium, which is the equivalent of 2 or 3 million pounds of coal, will keep any one of your largest single power plants in any of your systems going for about a day. The amount of ashes, the amount of spent fuel to be processed, even if you process it once a day, would, therefore, in principle, be very little larger than this piece. This is about the physical amount of fuel you would have to reprocess per day if you reprocessed all the spent fuel.

Actually, this fuel must be diluted because fuel inventories generally are going to have to be up in the tens or generally in the hundreds of pounds in order to have sufficient dilution to get our heat out. But the problem of reprocessing and handling is not one of handling thousands of tons. It is really more a matter of handling a relatively small amount of material—handling it effectively and cheaply with do regard for safety and irradiation.

There are a whole lot of new developments coming along and while no one can say we have this cost down at present, the program almost certainly points to the fact that within two, five, or certainly ten years, this reprocessing cost is going to be brought down by a very big factor. It is just in the cards.

This must happen. The actual problem itself is not a large one. It is a matter of getting some good ideas on how to do it.

In addition to this question of solid versus homogeneous fuels, there is the whole question of fast reactors versus thermal reactors or the intermediate type. Here, again, there are several schools of thought and each school has some good points in its favor. The thermal reactors are the ones we have had experience with now. All of them use water or beryllium or carbo-graphite or in some cases heavy water as moderators. They are thermal. The nutrons are slowed down.

On the other hand, the highest efficiency from the standpoint of breeding new fuel obviously comes when you have fast reactors with very little moderator around and the nutrons essentially at full speed. These reactors will undoubtedly give higher breeding gains and if we wish to emphasize the by-product production of high-grade plutonium for weapons as one facet of our evolving atomic power energy, or if we wish to emphasize the fuel credit and by-product sales of plutonium as part of our evolving economy, then the fast breeder definitely will have a real place.

On the other hand, let me paint the picture this way: The most expensive possible way we can use atomic fuel according to present science and technology is the use of pure uranium 235 to which, as I say, you might attach a price tag of $6 per ton per equivalent B.T.U. In none of the reactors do we have 100% burn-up; 50% burn-up under the present conditions is about as much as we can hope for. In the present type of reactors we would be very happy to see even 1% of the fuel burned up or converted before we do a reprocessing job. This is one of the sticky points.

But if you consider this material as being half burned, being equal to half burned in a conventional reactor, in the pure form, then you will come out generally with fuel costs, equivalent fuel costs compared to coal, of something like 1.5 mills. On the other hand, if we are able to breed and produce more new fuel than we burn, or produce at least some new fuel in addition to what we burn, then in the range from pure uranium 235 up to unified breeding, which means you burn exactly as much fuel as you produce, essentially equilibrium, in that range from zero breeding to unity breeding in the so-called conversion range there is a big range to play with in terms of possible gains.

If, for example, you burn 1 pound out of 100 you begin to make substantial gains in your apparent fuel costs. This is one which I think comes from Walker Cisler's group, the Detroit Edison group, and which tells only part of the story. But starting at the top with uranium as mined and purified, with a somewhat fictitious price, $3,500 for 100 pounds, going through the three different channels, the use of uranium 235 in pure form, straight out of the gas diffusion plant; the second line down the center in the converter type, where the ratio comes out 1 out of 100 of the total uranium charge being burned and converted to plutonium or U238; as a breeder reactor in which, in effect, all of the uranium in an extreme case can be burned because the U235 in the reactor may convert the uranium 238 to plutonium and through the reprocessing plant, you can, in principle, recycle all of the uranium and, in effect, burn it all.

Those are really what you might call the two extreme positions and the near intermediate position that lies in between. But you notice if you start doing a little calculation here, in this case the group have used half of it being burned and half of it discarded—in other words, a 50% burn-up—and come out with 7 mills per kilowatt hour. But if you use 1% of it by conversion, your fuel cost drops to 1.3 mills per kilowatt hour.

I believe it is safe to say that your average fuel costs in this country, averaged over the industry as a whole in this country, range between 1 and 5 mills per kilowatt hour. Some of you may think you are getting a little under that. If Phil Storm is here, he will probably question me on the 1 mill per kilowatt hour. But if you stretch it from here, the world as a whole is paying all the way from 1 to perhaps even 30 mills per kilowatt hour for its fuel cost.

In this range, you see you can go from 7 mills per kilowatt hour with no breeding whatsoever, you can go to 1.3 mills if you burn 2 pounds out of 100 and discard 98—in effect, you will drop it in half again — or if you burn 5 pounds, even, out of 100 you will drop it down to some tenths of a mill range. Or if you go clear on over and really burn all of the uranium, your effective fuel cost goes down into hundredths of a mill.

The real question we are up against as a matter of policy is where in this picture do we want to operate from the fuel standpoint. It has been to a fair degree my feeling, although there are widely differing opinions, that once you get your fuel cost down below 1 mill, you get down to where you are talking about tenths of a mill, and this is so small compared, then, to our present fuel cost that the primary emphasis should be turned elsewhere, not so much in further reducing what is almost a negligible fuel cost but in terms of finding ways to reduce capital investment and to reduce operating costs.

Characteristically, in this country perhaps we haven't been as wise as we should be, but starting with the 20, 30 pounds of coal Edison used to shovel in, we have generally tended initially, in starting an industry, apt to worry too much about efficiency. Let's go ahead and get the industry started and then start chiseling our losses and increasing the efficiency as the industry progresses.

Whether we should come the whole way now or should be content right now to look at other factors is a matter of wide difference of opinion and it is a very difficult problem. Indeed, the thing that gives me the most confidence in this whole field is that very able people differ widely on what is the best way to do it and each one of them can make a very good case. This means that this field is wide open for all kinds of technical developments along a whole series of broad fronts, ranging from the mining operations through to the fuel technology, through to the reactor and heat exchange technology and through to the applications in the terminal end as well. So, when you have an industry which is just getting ready to go over the hump, which has so many interesting aspects that can be worked upon of great technical promise, with the end goal that at least the fuel costs can be brought down to almost any level you wish to bring them, you have an industry with enormous potentialities, beyond any question.

It is true that at the present time all of the estimates of costs have had very wide margins of error and have all looked very high, and very properly so. My next chart gives us a little picture which has come from a number of different sources, a composite of your newest largest central power station generally above 100,000 kilowatts, as to what the indicated generating costs in mills per kilowatt hour have been in these last few years. Some of you, again, individual ones may look different but this is more or less a composite of your industry. Very few of your new large central power stations are exceeding 8 mills· 9 mills is about the absolute ceiling.

It has run down, some say or claim 2 mills, or 3 mills. I didn't extrapolate it below 4 mills here, deliberately, because I wanted to keep the atomic power cost in a competitive position rather than give you people the illusion that we were going to be talking about 1/10 of a mill cost for atomic energy.

So far it is clear, then, that atomic energy, if it is going to be competitively economical, has got to get into this range certainly below 8 mills, in the 8-mill range, and if it is going to capture anything like 50% of the market, assuming the present dollars mean anything 5 and 10 and 20 years from now—the present value of the dollar—you are going to have to talk in terms of our present dollars at least of something like 5 or 6 mill nuclear power or you are not going to be in the competitive range.

So, this is the problem that atomic energy faces. It faces this problem of competitive power generating costs against a backdrop of steadily increasing fuel costs in terms of coal and of natural gas. Those of you who have watched the price of natural gas in the last five years out of the Texas fields, plotting that curve, which has been going up pretty steadily, as you know, it certainly gives one pause as to what will happen in the course of the next 10 and 25 years as our specialized demand for gas continues to increase and at the same time our domestic production is certainly not going to be able to meet our total demands.

Similarly in the case of coal, while coal is a little bit down now, due to the railroads, nevertheless, in talking to the Coal Association last week, it is clear that you gentlemen in the utilities industry are steadily picking up the lead that the coal group have lost due to the railroads, and that within ten years the coal consumption due to your activities will be appreciably above the present.

Similarly if you look ahead 20, 30, 40 and 50 years, as we are trying to do here, coal consumption will steadily rise but unless we find ways of getting alternative fuel supplies, one way of looking at this is that your conventional fuel costs are bound to rise considerably over this next 25 years, 50 years, and that unless you have some competitive fuel coming in, you won't have any brake on the rise in fuel prices. So at least one way to look upon atomic energy is as a brake on conventional fuel costs.

*From an address by Dr. Dunning before the 22nd Annual Convention of the Edison Electric Institute, Atlantic City, N. J., June 3, 1954.

Halsey, Stuart Group Offer Utility Bonds

Halsey, Stuart & Co., Inc. and associates on June 22 offered $4,000,000 Central Vermont Public Service Corp. first mortgage 3¼% bonds, series K, due June 1, 1984, at 100.959% and accrued interest, to yield 3.20%. The group won award of the issue at competitive sale on June 21 on a bid of 100.059%.

Net proceeds from the sale of the series K bonds will be used by the company to redeem $1,958,000 of first mortgage 3¾% bonds, series I, due April 1, 1961, and $797,000 of first mortgage 3¾% bonds, series J, due April 1, 1972. The balance of the net proceeds, together with proceeds from the private sale of 10,000 shares of 4.65% preferred stock, will be used for construction and other corporate purposes.

The new series K bonds will be subject to redemption at general redemption prices ranging from 103.96% to par, and at sinking fund redemption prices receding from 100.95% to par, plus accrued interest in each case.

Central Vermont Public Service Corp. and its wholly-owned subsidiary, Connecticut Valley Electric Co., Inc., are electric utilities serving areas, which, based on 1950 census figures, have a total population of about 241,000 representing about 55% of the population of Vermont and 7% of the population of New Hampshire. The companies serve about 61,828 customers with electricity, and they also supply at wholesale all or a substantial part of the electricity required by ten other utilities. The company distributes propane-air gas to about 3,023 customers in Rutland, Vt., and both companies sell and service electric and gas appliances in Vermont and electric appliances in New Hampshire.

For the year 1953, total operating revenues aggregated $9,502,064 and net income was $963,708. The latter figures include operations since June 30, 1953 of the properties of Public Electric Light Co., which was acquired by merger.

Also participating in the offering are: Gregory & Son., Inc.; Wm. E. Pollock & Co., Inc.; Shearson, Hammill & Co., and Thomas & Co.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

T. Stockton Matthews will retire from Robert Garrett & Sons on June 30th.

Philip W. Wrenn will withdraw from limited partnership in H. C. Wainwright & Co. on June 30th.

Form Golden-Dersch Co.

Golden-Dersch & Co., Inc., is engaging in a securities business from offices at 29 Pearl Street, New York City. Officers are Irwin Dersch, President; Maruce Golden, Vice-President and Treasurer; and Lillian Golden, Secretary.

Merrill Lynch Adds

(Special to THE FINANCIAL CHRONICLE)

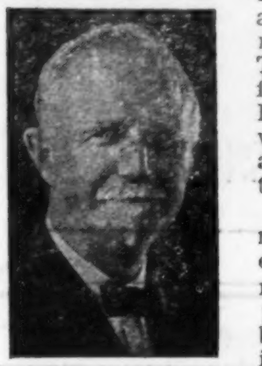
WINSTON-SALEM, N. C. — Floyd N. Romlinson, Jr. has become affiliated with Merrill Lynch, Pierce, Fenner & Beane, R. J. Reynolds Building.

Forecast for Second Half of 1954

By ROGER W. BABSON

Mr. Babson foresees cross currents in business for the next six months. Predicts continued level or improvement in electric power output, aircraft production, rubber manufacturing, household and electrical equipment, petroleum, natural gas, shoes and textiles. In certain other industries, particularly metal and auto producers, foresees keener competition than at any time since 1930. Holds present retail sales level will be maintained, and there'll be no immediate stock market slump

While most of the columnists and business counselors last December forecast a depression for 1954, I constantly insisted that 1954 would be a "fair business year." This you will find in my Forecast which then appeared in this paper.



Roger W. Babson

(1) Despite my general optimism with regard to prospects for business during the last half-year, there will be many cross currents. The improvement over the first six months will be no one-way street. Some industries will lag, or fall behind. Others are slated for betterment. Building has held up well, and was the backbone of business in the first half of 1954. The momentum generated should carry through the balance of the year.

(2) Also deserving of attention as in line for continued high activity, or for improvement, are the following industries: Electric power output, aircraft production, rubber manufacturing, household equipment, electrical equipment, petroleum, natural gas, shoes, and textiles. Even the sick coal industry will enjoy some pickup from the very depressed levels experienced during the first six months of 1954.

(3) Due to slip further down, or slated to show the least improvement, are the following industries: Machinery, machine tools, railroad equipment, metal fabricating, steel and iron, and autos and auto parts. In particular, auto output will not match the first half, with competition keener in the last half than at any time since the 1930's.

Sales and Inventories

(4) As in the case of general business discussed above, sales prospects will rule selective. With purchasing power holding well, demand for food products and soft goods will remain at a brisk pace. The public, however, have learned something about watching their pennies. They have become more price-conscious. For this reason, I predict that the mass distributors, such as the grocery and variety chains, will run ahead of the others saleswise, during the last half-year.

(5) Retail sales in general, although about 4% lower dollarwise, have held up during the first half in terms of physical volume as discounts and other concessions reduced the actual receipts. This is encouraging since it shows that consumers are still willing to spend if the price is reasonable. In terms of units, retail sales will hold up through 1954. Inventories will constantly be reduced during 1954. The retailers who do best in 1954 will be those with the best parking facilities for their customers.

Political Outlook

(6) I forecast that the more liberal attitude on the part of the Eisenhower Administration will surely continue through November and perhaps until the 1956 elections. During the past six months rumors have been spreading to the effect that President Eisenhower will not run again; but there is no agreement at this writing by either party as to who the next candidates will be.

(7) The President has won his conflict with Senator Bricker; the House approved his Tax Bill; the Taft-Hartley Labor Bill has been shelved, to the relief of all; and he has so far kept out of the McCarthy-Army row. I forecast that for the balance of the year he will leave domestic affairs to his associates and devote most of his time to helping Mr. Dulles ward off trouble with Russia and China, and avoid another "Korea."

(8) During the first six months of the year a "New Look" has developed in connection with defense expenditures. Appropriations for foot soldiers and certain classes of airplanes have been cut in favor of items for atomic warfare and guided missiles. Best authorities agree that we will get more protection and fighting strength from this change with less cost. As a promise "to get our boys out of Korea" was a great factor in electing Dwight Eisenhower as President, he naturally will hesitate to send U. S. foot soldiers into Indo-China, at least before the coming November elections.

War and Peace

(9) There will be no World War in 1954 started by Russia or the U. S. A. In the last half of 1954, however, the United States will move closer and closer to the position occupied by Great Britain during the 19th Century. The United States will prepare to engage in small wars anywhere in order to prevent outbreak of a world conflagration.

(10) I predict that the United States in the last six months of 1954 may by-pass the United Nations and try to form a "defensive" league of nations interested in Southeast Asia. The purpose: To keep the rice, tin, and rubber of that area from falling into Communist hands. Most of the arms and military know-how needed by such an alliance of anti-Communist nations in the Far East will be furnished by Uncle Sam. This means that cuts in arms expenditures, already scheduled for the last half of 1954 by the Administration, may not be put into effect. The Korea situation will remain about as is —"much talkie, no shootie"; but Indo-China will constantly become a greater threat.

(11) Do not forget Europe and the Middle East. France is torn by internal dissension and a blow-off could come there at any time. West Germany is growing more impatient with Franch bickering over the Saar and over the formation of a Western European army including German participation. Russia will strive mightily to widen the split between France and Western Germany by holding out the "bait" of reunion between East and West Germany.

(12) Friction between the Jews and the Arabs in the Middle East is being encouraged by Communist agents. The smouldering fires there could break into flame at any time, requiring a hurry-up call for Uncle Sam's fire department.

Stock Market Outlook

(13) Of course, some day the market (especially the Dow-Jones Industrials) will get a bad wallop with very much lower prices. On the other hand, this may not come during the next few months. Up to this time the high yields of stocks have not appealed so much to investors, owing to the personal tax on both dividends and on income in general. Although stock yields compared with those of 20 years ago are higher if personal taxes are not considered, yet when these personal taxes are deduced, today's yields have not been attractive.

(14) The new Tax Bill and the increased buying for pension funds and investment trusts have, however, increased the demand for common stocks and could hold the market up for some months to come. I forecast that it will be very important to make careful selections of stocks. Don't buy stocks just because they have gone off heavily in price and appear cheap.

(15) Unfortunately, many small concerns will find it more and more difficult to compete with their big competitors. Not only can these big corporations make goods cheaper and have better means of distribution, but they can spend huge sums on advertising, which a smaller concern cannot do. This will be especially evident during the next six months. The companies which will prosper most are those which have inaugurated effective labor-saving programs. Manufacturers will win only as they purchase new labor-saving machinery, spend more money on research and on well-directed advertising.

(16) Automobiles will continue to be hard to sell and easier to buy during the last half of 1954. Both the automobile stocks and the cars will be in less demand. There will be more bargains in used cars, discounts on new cars, especially cars of the "independent" manufacturers.

(17) Canada will continue to boom during the second half of 1954, but this may be a good time to take profits on Canadian investments.

Money, Inflation, and Interest Rates

(18) When Mr. Eisenhower assumed the Presidency with his Cabinet of "9 millionaires," they proclaimed a new monetary policy which would increase the value of the dollar and raise interest rates. Either fortunately or unfortunately, the economic situation caused a reversal of this policy. The value of the dollar shows no increase over January 1, and this has been hailed by Wall Street as a sign of further inflation. Wall Street has boomed certain common stocks accordingly. Interest rates during the second six months of 1954 should average about as at present.

(19) The fear of involvement in Indo-China is strengthening the commodity markets. This takes some of the pressure off of Secretary Benson and those who have been resisting increased tariffs. I forecast an upward movement in many commodity prices — other than farm prices—during the balance of 1954.

(20) Money supplies are on the rise again now. They will continue to expand during the last half. Inflationary effects on the price level will be limited as our capacity to product is now large. Remember, the surest way to squelch an inflationary fire is with a flood of goods. Inflationary effects of the expanded money supply could also be nullified by the change in the government's method of collecting the corporate income tax. The new tax law may put the large corporations on a pay-as-you-go basis, squeezing their cash holdings.

(21) Any psychological inflationary flare-ups that may take place as a result of war scares, big or little, will not be long-lived. They will definitely be dangerous to follow up. A word of warning: Don't get drawn into any speculative moves in commodities or stocks based on the outbreak of a small war. If the need arises, our government will move with lightning swiftness to put controls into effect. They are already "triggered." The only real danger of any Federal tax increases will come with the outbreak of another war.

Labor, Building, and Real Estate

(22) As to unemployment, I will say that this has increased some over last year, but if considered on a per-capita basis, it is even les than that of five years ago. Look for a moderate reduction in the ranks of the unemployed during the last six months of 1954.

(23) The improvement which I expect in employment should not, however, be sufficient to make union leaders careless. Jobs will still be very much in demand. This should mean that the last half will see no prolonged strikes.

(24) Most union-management settlements will be made with a moderate amount of give and take. Any wage advances will be limited to the neighborhood of a reasonable hourly figure, plus some additional fringe benefits. The Administration and the Labor Leaders will not try to revamp the Taft-Hartley Bill during the last six months of 1954.

(25) My forecast as to the various classes of real estate is as follows:

(a) Large commercial farms will experience a further sag in their land values during the last half-year as farmer's gross income dips lower.

(b) Small farms on the fringes of big city suburbs should hold or rise in price as people get further away from city centers. This move could become an avalanche in the event of really serious war scares.

(c) I look for vacant land in the suburbs to hold its value well. In the big cities it may be another story, **unless the land is suitable for parking purposes.**

(d) Business properties in the big cities may ease somewhat in price during the last six months of this year. Suburban business properties can be expected to hold up. Demand for more shopping centers will be noticeable during the months to come.

(e) Home property (especially the older houses, particularly in the cities) will continue sagging in price. In the suburbs, the bigger houses, even of recent vintage, will be harder to sell. Most salable home properties will be the newer houses in the middle- and lower-price brackets with emphasis on the ranch-houses" so-called.

(f) In the last half-year, construction will still be a powerful support to our economy as it has been for so long. Seasonally, building will hold well, strengthened by continued liberal credit terms. Some boost to building could come in the second half if civilian defense moves create a "dispersal scare." If this happens, look for a rush by many factories to move operations into areas far from bomb-vulnerable cities.

Conclusion

I cannot end this Forecast without reminding readers that we are living in a truly New Era, comparable only with the year I A. D., 1954 years ago, or the invention of printing 500 years ago. The H-Bomb, in the hands of any ambitious dictator, could bring about unparalleled conditions. These changes could make the things, about which I have written above, of little value or consequence. Only a great spiritual awakening can save us.

N. Y. Stock Exchange Names Govs., Trustee

G. Keith Funston, President of the New York Stock Exchange, has announced the election of two new Governors and a new Trustee of the Gratuity Fund.

Alexander R. Piper, Jr., of Paine, Webber, Jackson & Curtis, and Bayard Dominick II, of Dominick & Dominick, are the new Governors; while William Shippen Davis, of Blair S. Williams & Co., is the new Gratuity Fund Trustee.

Mr. Piper will fill the vacancy on the Board of Governors created by the elevation of Harold W. Scott to the Chairmanship; Mr. Dominick succeeds the late Robert Bennett Berman, and Mr. Davis is successor to the late Thatcher M. Brown.

All three will serve until the next Stock Exchange annual election in May, 1955.

A member of the Exchange since 1934 and a general partner in Paine, Webber, Jackson & Curtis, Mr. Piper has been connected with his present firm since 1941. He is a former member of the New York Curb Exchange (now the American Stock Exchange), and he served on that Exchange's Governing Committee for several years.

Mr. Dominick began his business career with Dominick & Dominick in 1937, the year he was graduated from Yale University, and became a partner in that firm and a member of the Stock Exchange in 1938. During World War II, he was a Lieutenant in the U. S. Navy's anti-submarine patrol for the period 1942-1945.

Mr. Davis has been a member of the Stock Exchange since 1920 and a partner in the firm of Blair S. Williams & Co. since 1939.

The Gratuity Fund, of which Mr. Davis is now a Trustee, pays death benefits to families of deceased members.

Kidder, Peabody Group Offers Panhandle Eastern Debentures

Public offering of $35,000,000 of 3⅛% debentures, due 1974, of Panhandle Eastern Pipe Line Co. was made yesterday (June 23) by an underwriting group jointly managed by Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane and Carl M. Loeb, Rhoades & Co. The debentures were priced at 99.625% to yield 3.15%.

The debentures may be redeemed at prices scaled from $102.75, prior to Nov. 1, 1955, to 100 if redeemed after Nov. 1, 1973. A sinking fund will operate starting Nov. 1, 1957 to retire part of the issue at par.

Proceeds from the sale of the debentures will be added to the company's general funds and used in payment of part of the 1954-1955 construction costs. The total of this construction is $67,000,000 and includes expansion of main line sales capacity, additional horsepower, construction of approximately 295 miles of additional loop pipe line facilities, and additional production and gathering facilities to furnish the new supply of gas for the expanded pipe line.

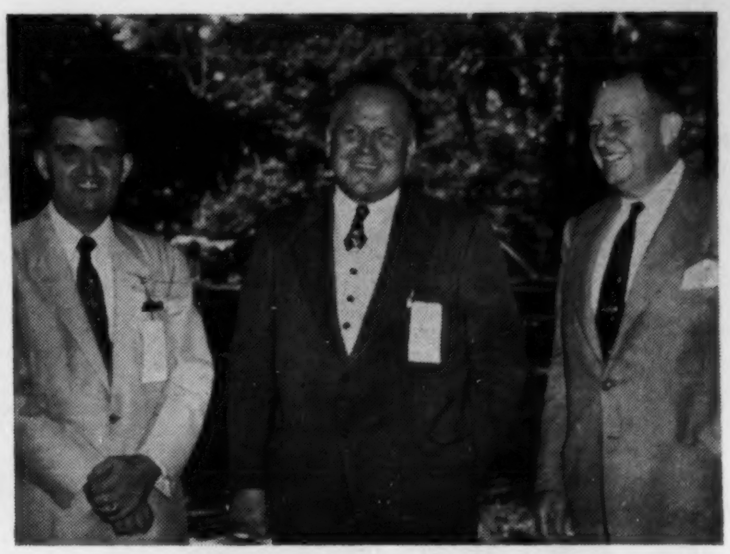
Panhandle Eastern Pipe Line Co. is engaged in production, purchase, transmission and sale of natural gas. It operates a system extending approximately 1 200 miles from the Amarillo, Texas gas field through Oklahoma, Kansas, Missouri, Illinois, Indiana and the southwestern corner of Ohio into Michigan near Detroit.

In 1953 the company had total operating revenues of $95,232,940 and net income of $17,919,881.

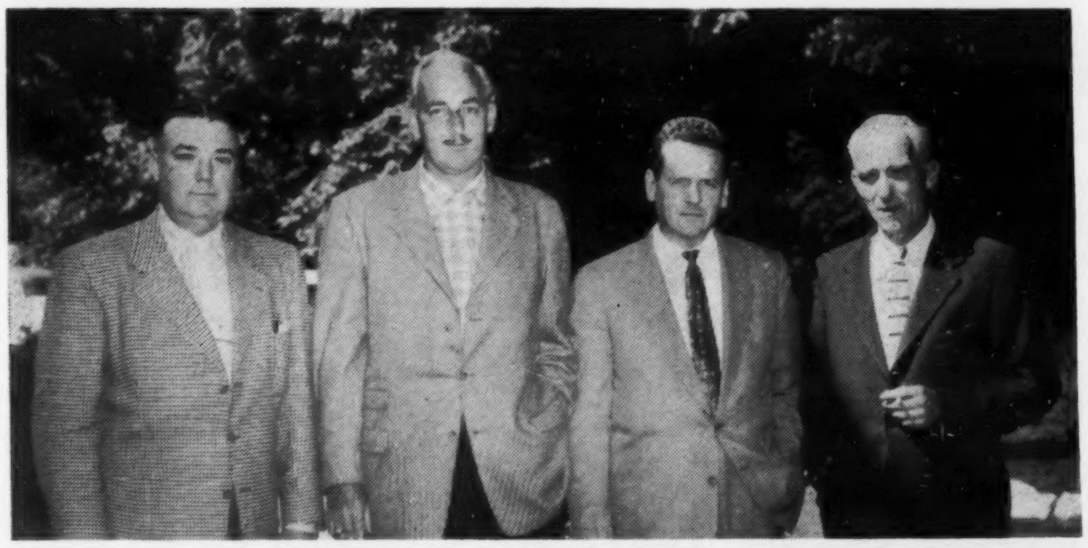
Bond Club of New Jersey

Edwin L. Beck and Hal Murphy, *The Commercial and Financial Chronicle*

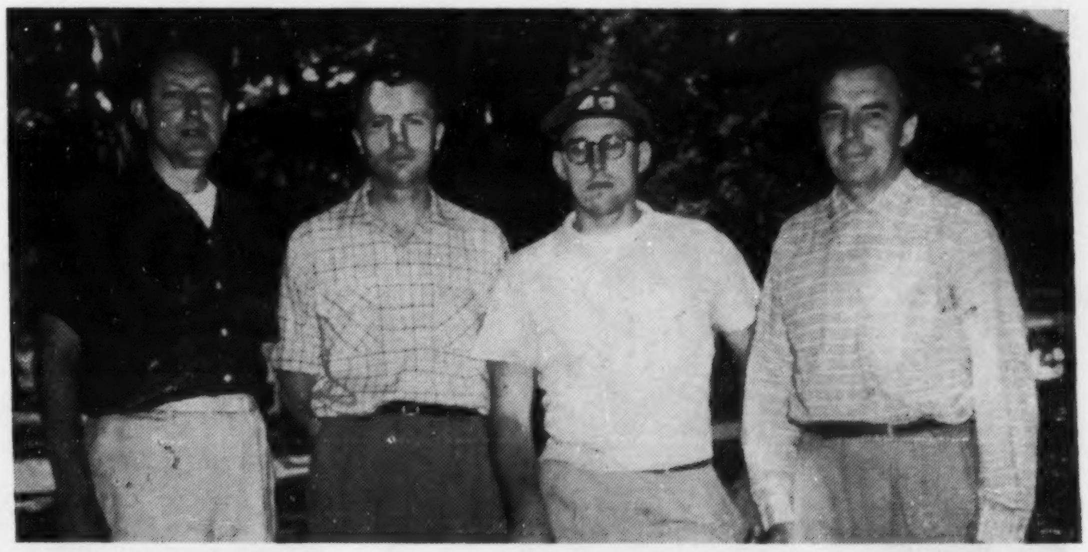
Harold B. Smith, *Pershing & Co.*; W. K. Van Hise, *Parker & Weissenborn, Inc.*, Newark, N. J.



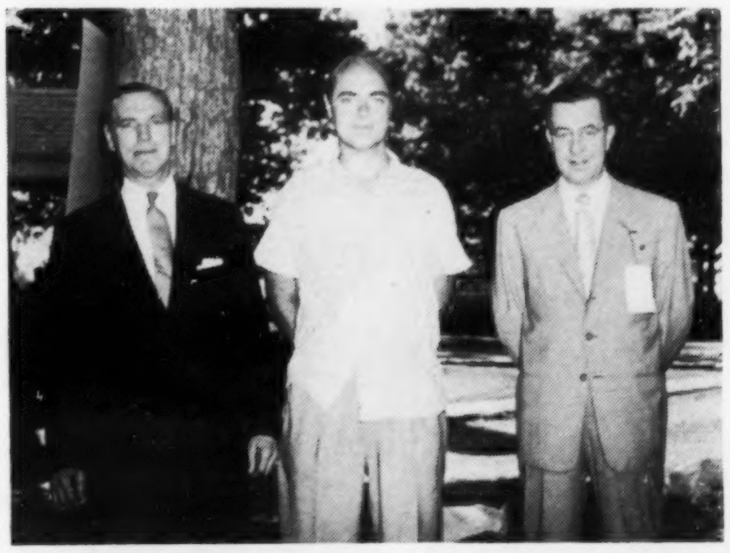
Joseph W. Cantlie, *Tripp & Co., Inc.*; Herbert Schutt, *Kean, Taylor & Co.*; J. Albert Leek, *Coffin & Burr, Incorporated*



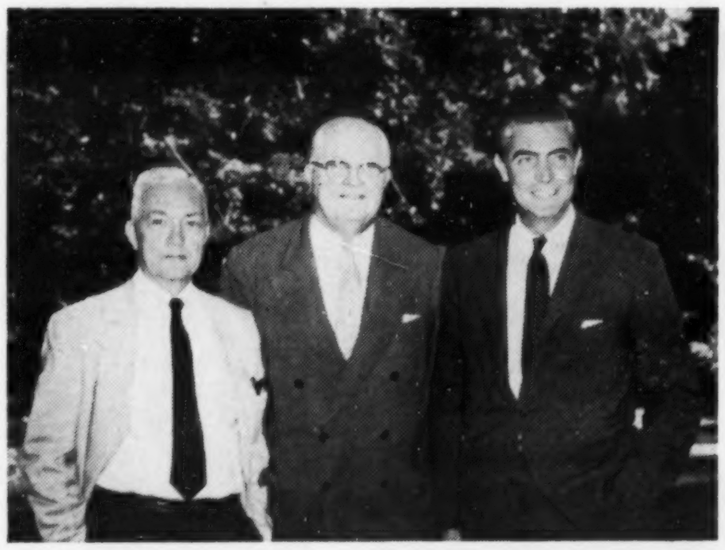
Howard Dunning, *C. P. Dunning & Co.*, Newark, N. J.; W. T. Callan, *Federal Trust Company*, Newark, N. J.; W. F. Cass, *B. J. Van Ingen & Co., Inc.*; Chick Spring, *Outwater & Wells*, Jersey City, N. J.



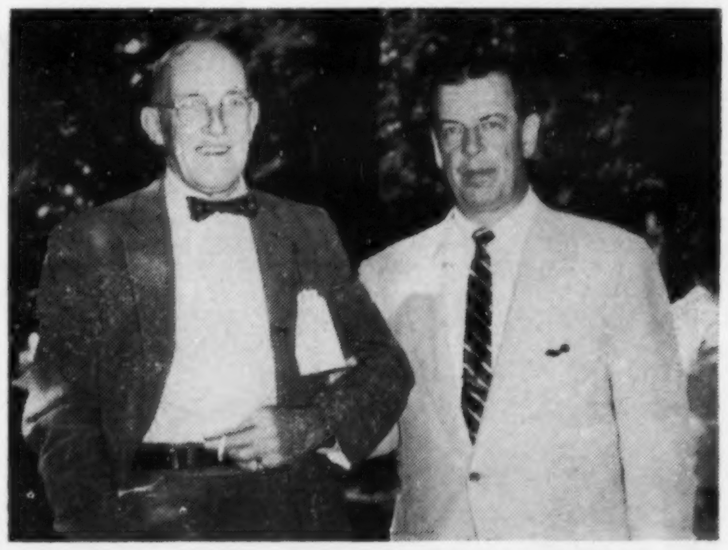
W. K. Van Hise, *Parker & Weissenborn*, Newark, N. J.; R. C. Hike, *Nugent & Igoe*, East Orange, N. J.; Tom Weissenborn, *Estabrook & Co.*; Phil Arnheiter, *Adams & Hinchley*, Newark, N. J.



Larry Souville, *Spencer Trask & Co.*; Glenn Thompson, *Drexel & Co.*; Paul J. Mahoney, *Paul J. Mahoney, Inc.*



Halsey Brewster, *Allen & Company*; J. R. Mueller, *J. R. Mueller & Co.*, Newark, N. J.; Randall M. Keator, *Wellington Fund*

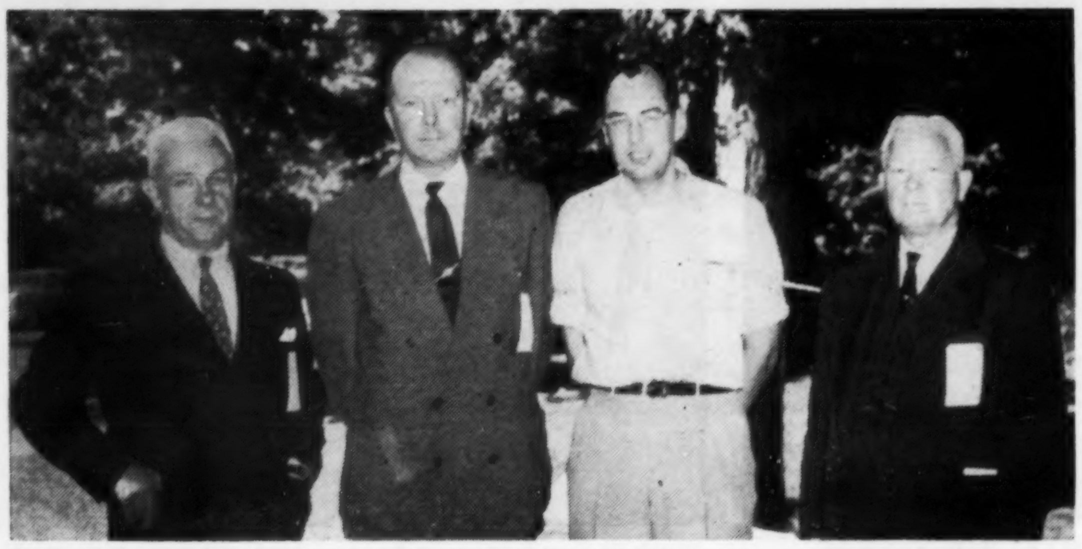


Kenneth Spear, *Julius A. Rippel, Inc.*, Newark, N. J.; Barclay B. Baekey, *National Newark & Essex Banking Co.*, Newark, N. J.

Wally Scanlon, *Howard Savings Institution*, Newark, N. J.; Andrew C. Spring, *Outwater & Wells*, Jersey City, N. J.; Edwin F. Kezer, *B. J. Van Ingen & Co., Inc.*; J. William Roos, *MacBride, Miller & Co.*, Newark, N. J.

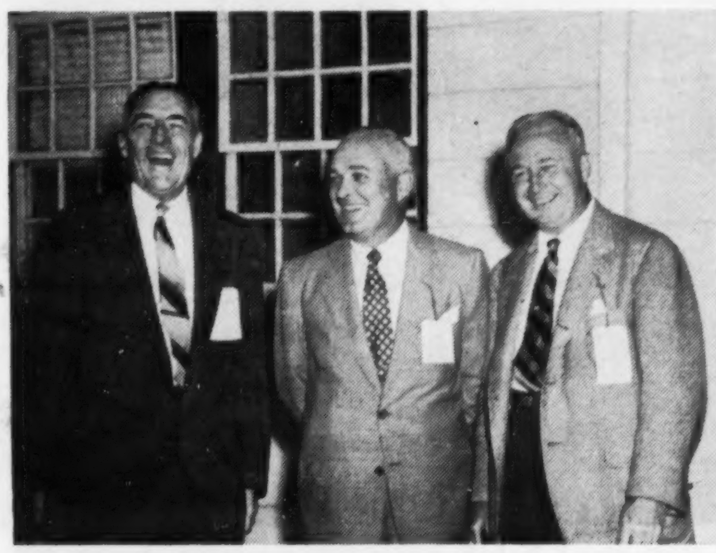
J. Kirk Hopper, *Alex. Brown & Sons*; Enos Wetzel, *W. E. Wetzel & Co.*, Trenton, N. J.; Foy Porter, *Estabrook & Co.*; Frank E. Quinby, *Howard Savings Institution*, Newark N. J.; Albert F. Rice, *Laurence M. Marks & Co.*

Holds Annual Field Day

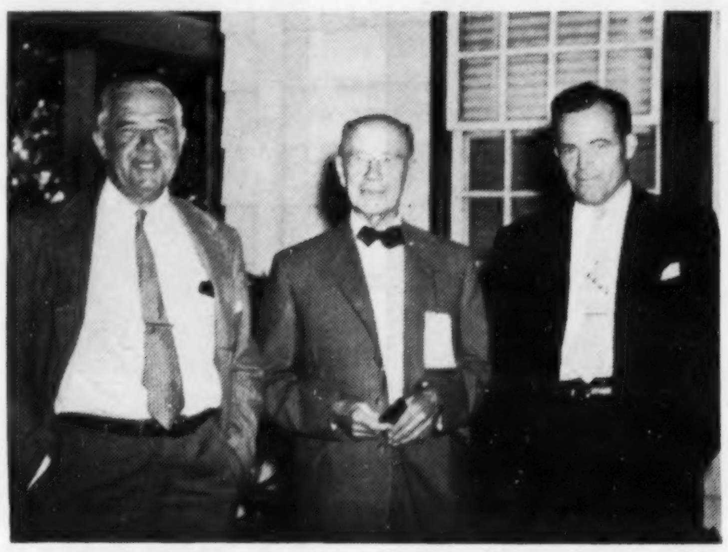


Bill Mezger, *G. C. Haas & Co.;* Kenneth Sias, *National State Bank,* Newark, N. J.; S. Jervis Brinton, *National Newark & Essex Banking Co.,* Newark, N. J.; John P. Moran, *National State Bank,* Newark, N. J.

Charles Thomas, *Kean, Taylor & Co.;* Taber J. Chadwick, *State Trust Co.,* Plainfield, N. J.; Frank Dalesandro, *Orange Valley Trust Company,* Orange, N. J.; Ludlow Van Deventer, *Van Deventer Brothers, Inc.,* Newark, N. J.

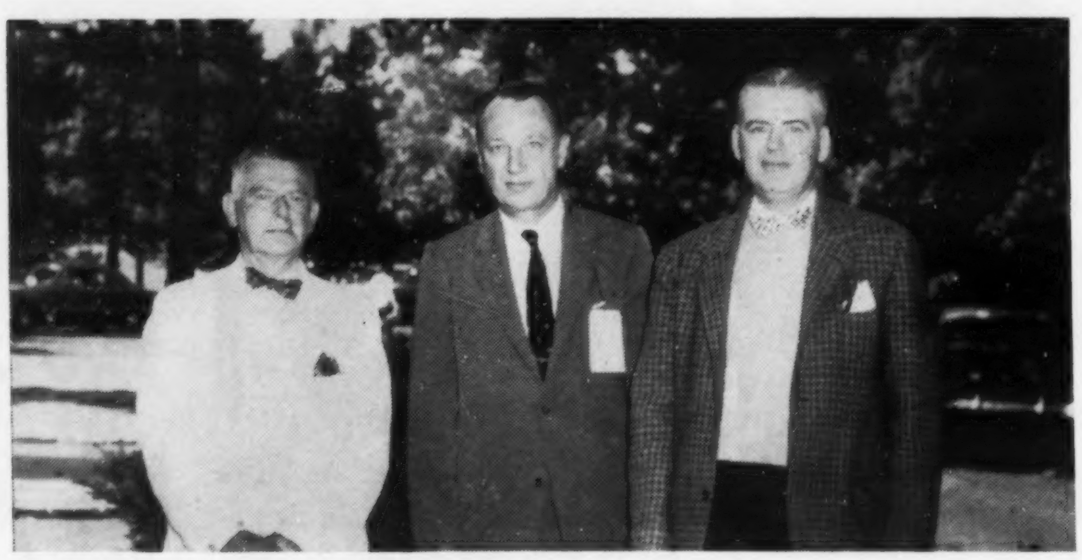


James D. Topping, *J. D. Topping & Co.;* Edward J. Keresey, *Lee Higginson Corporation;* Monroe V. Poole, *George B. Gibbons & Company, Inc.*



Harold J. Kennedy, *E. F. Hutton & Company;* George Henderson, *Harris, Upham & Co.,* Newark, N. J.; Lee W. Carroll, *Lee W. Carroll & Co.,* Newark, N. J.

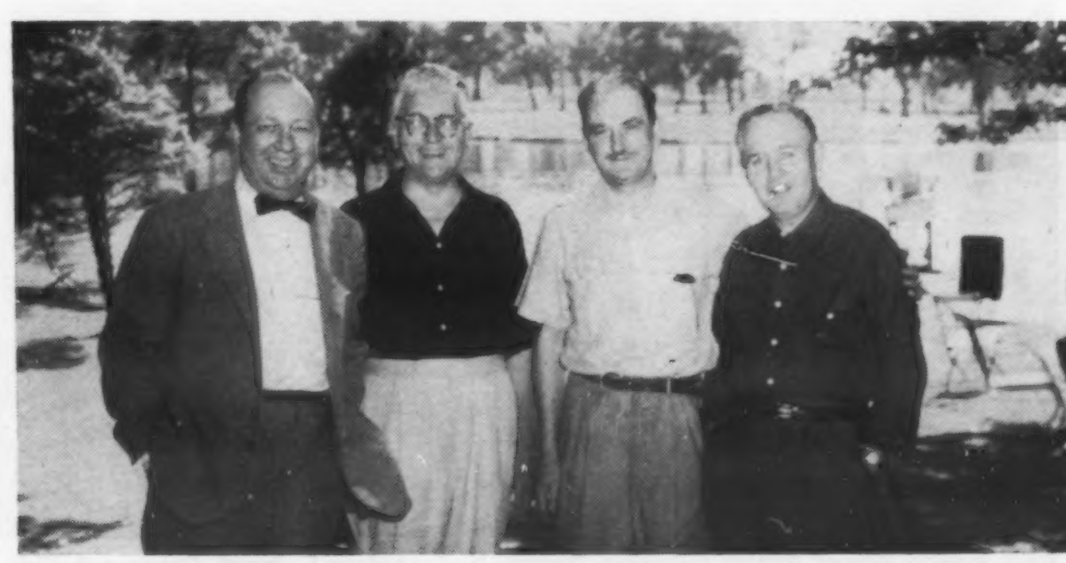
John Agnew, *Eastman, Dillon & Co.;* Kenneth W. Cronyn, *K. W. Cronyn & Co.,* Ridgewood, N. J.; Edward H. Hills, *Eldredge & Co., Inc.*



Whiz Farrar, *A. M. Kidder & Co.;* Alex Seidler, Jr., *National State Bank,* Newark, N. J.; Kenneth C. Ebbitt, *Shelby Cullom Davis & Co.*

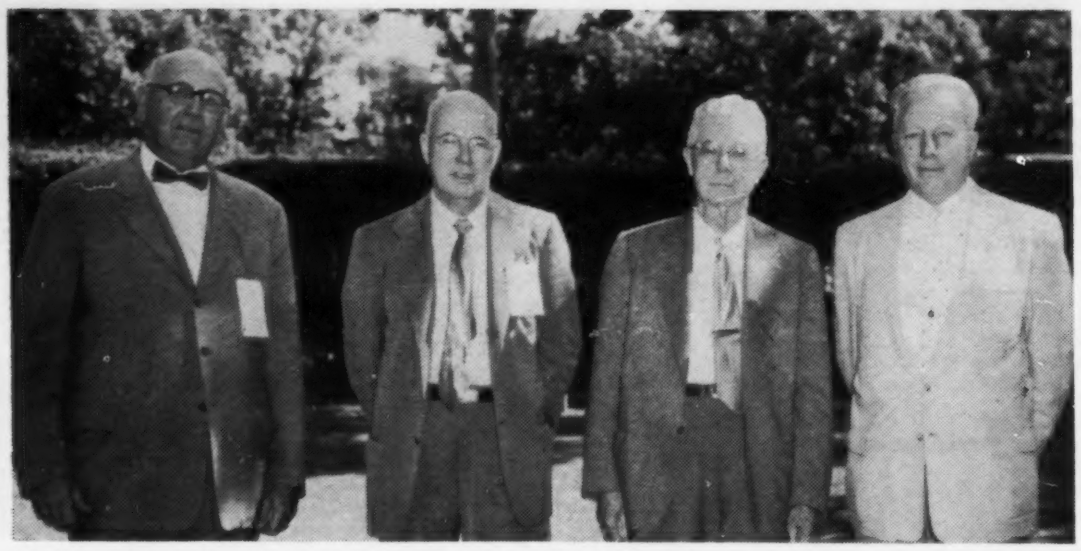
Tom Benton, *Benton & Co.;* Jim Nichols, *A. G. Spaulding & Bros.;* Chas. B. Schubert, *Emanuel, Deetjen & Co.;* Rudolph H. Deetjen, *Emanuel Deetjen & Co.*

Frank B. Allen, *Maplewood Bank & Trust Co.,* Maplewood, N. J.; Harold D. Loskamp, *Merrill Lynch, Pierce, Fenner & Beane,* Newark, N. J.; Bernard B. Ramsey, *Merrill Lynch, Pierce, Fenner & Beane,* Newark, N. J.; Frank Cullum, *First Boston Corporation*



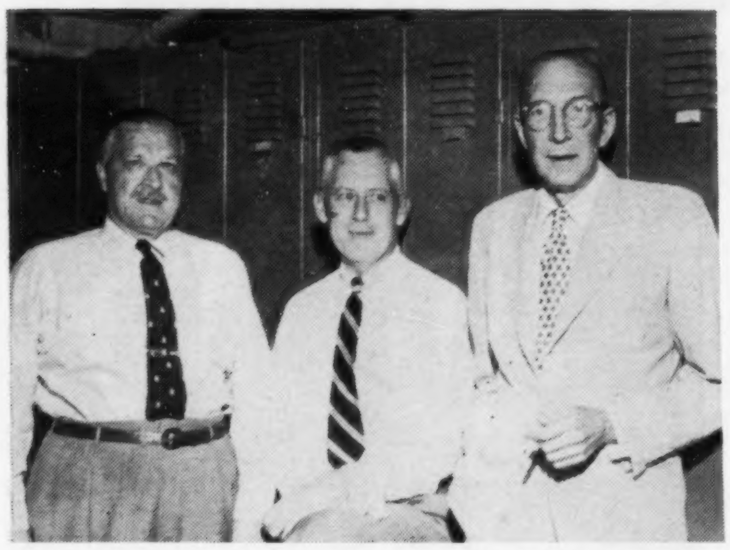
Jay Richardson, *Halsey, Stuart & Co., Inc.;* Harry C. Zimmer, *Commercial Trust Company of New Jersey,* Jersey City, N. J.; Jim Currie; Ed Purcell, *Commercial Trust Company of New Jersey,* Jersey City, N. J.

Friday, June 18, 1954

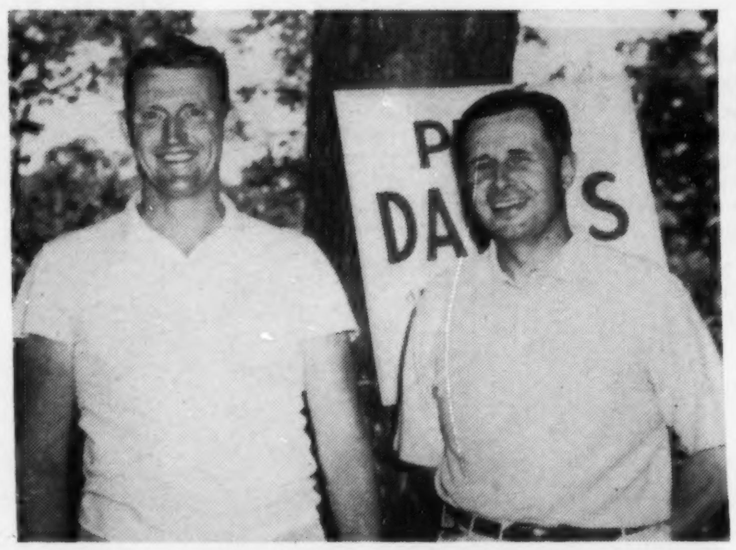


Charles E. Reed, *Kean, Taylor & Co.*, Newark, N. J.; James B. Kirk, *Harris, Upham & Co.*, Newark, N. J.; William P. Wilson, *W. C. Langley & Co.*; Jack Kraus, *Home Title Guaranty Co.*, East Orange, N. J.

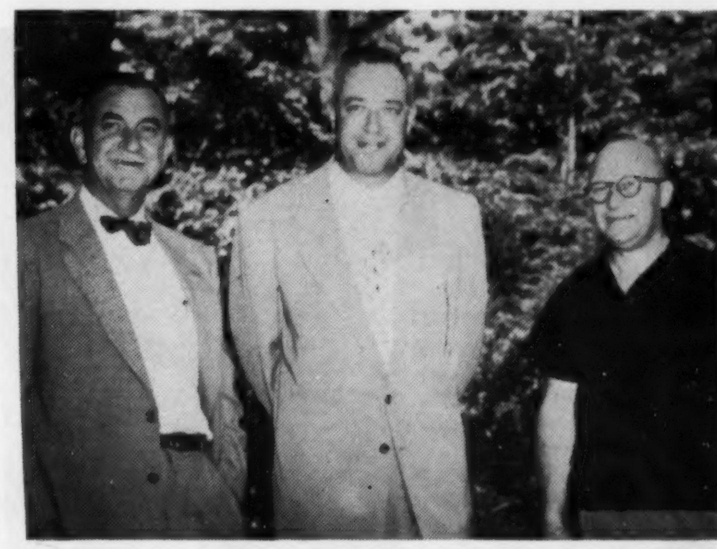
Austin Patterson, *First Boston Corporation*; Herbert A. Hoehn, *Gregory & Son, Incorporated*; Ray F. Vanderhoff, *Fidelity Union Trust Company*, Newark, N. J.; Robert M. Pyle, *Hornblower & Weeks*



Herbert Shaw, *Vance, Sanders & Company*; Stanton M. Weissenborn, *Parker & Weissenborn, Inc.*, Newark, N. J.; Philip Van Deventer, *Van Deventer Brothers, Inc.*

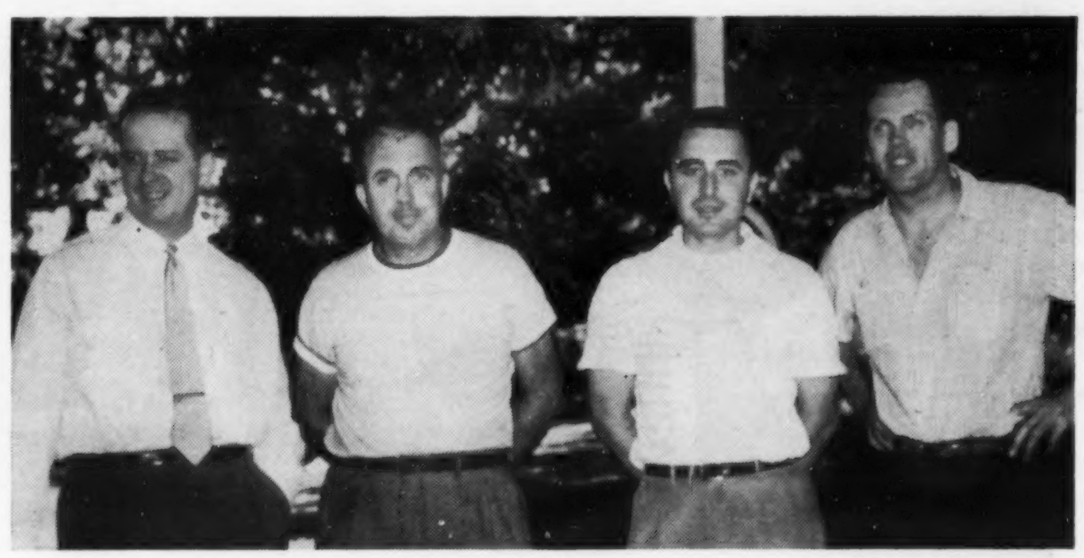


Bob Krumm, *W. H. Morton & Co., Incorporated*; Jack Byram, *The Northern Trust Company*



Ira C. Ayers, *Anderson Cook & Company, Inc.*; Palm Beach, Fla.; Horace G. Houghton, *Kean, Taylor & Co.*, Newark, N. J.; Cyrus R. Currier, *Harris, Upham & Co.*, Newark, N. J.

Russ Ergood, *Stroud & Company, Incorporated*, Philadelphia; Ted Cobden, *Kean, Taylor & Co.*; Charles Waldmann, *Kean, Taylor & Co.*; Jack Hoffmann, *Shields & Company*



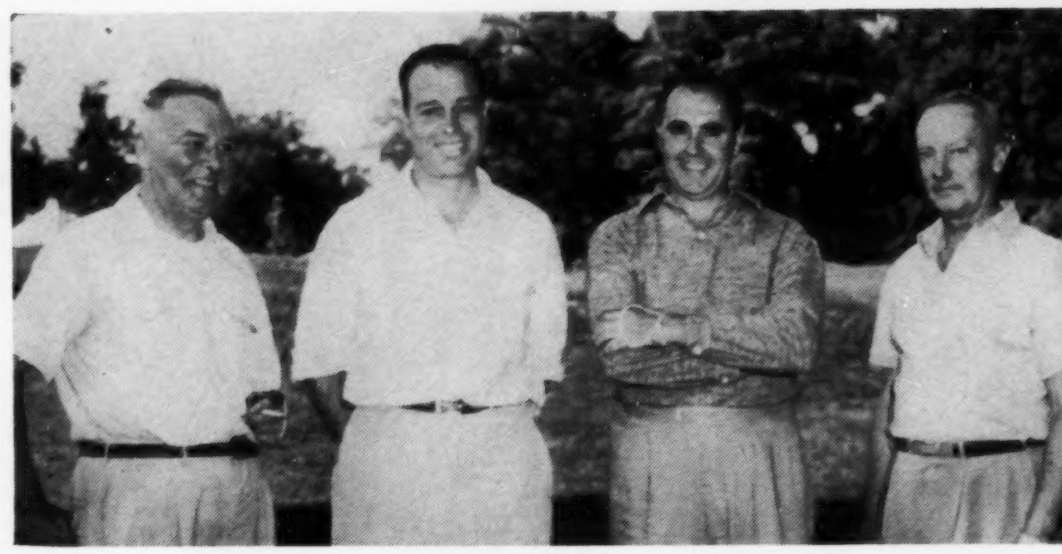
Don Lane, *Merrill Lynch, Pierce, Fenner & Beane*, Newark, N. J.; Jim Musson, *B. J. Van Ingen & Co., Inc.*; Tony Butera, *National State Bank*, Newark, N. J.; Jim Ransom, *Harris Trust & Savings Bank*

Jack Coman, *C. J. Devine & Co.*; Donald Mackenzie, *Marine Midland Trust Company*; Dick Monaghan, *J. R. Mueller & Co.*, Newark, N. J.; Matt Reilly, *C. J. Devine & Co.*

Royce Flippin, *Smith, Barney & Co.*; Daniel L. Reiber, *National State Bank*, Newark, N. J.; John W. Kress, *Howard Savings Institution*. Newark, N. J.; Joseph H. Boyd, *Bankers Trust Company*

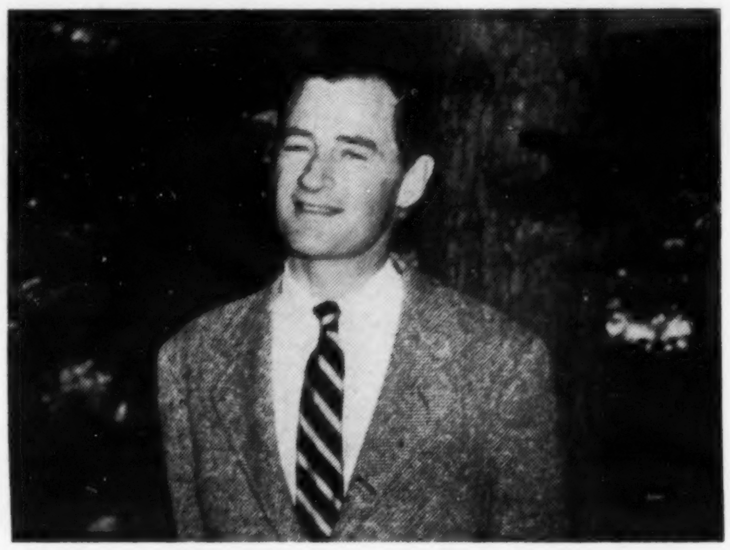
At Rock Spring Club, West Orange, N. J.

Ed Tallau, *Howard Savings Institution*, Newark, N. J.; H. F. Graham, *Stone & Webster Securities Corporation;* A. C. Barbata, *Bank of Nutley*, Nutley, N. J.; Jack Duerk, *Howard Savings Institution*, Newark, N. J.

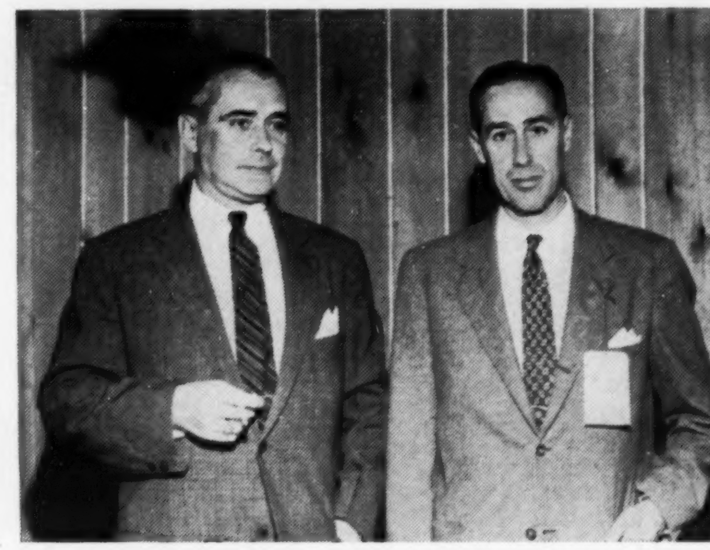


Fred Brown, *Lee Higginson Corporation;* Paul Welzmiller, *J. B. Roll & Co., Inc.;* George J. Heath, *National Newark & Essex Banking Co.*, Newark, N. J.; Ed Fishwick, *Mutual Benefit Life Insurance Co.*, Newark, N. J.

Norton Rogers, *Adams & Hinchley*, Newark, N. J.; Harry D. Miller, *Nugent & Igoe*, East Orange, N. J.

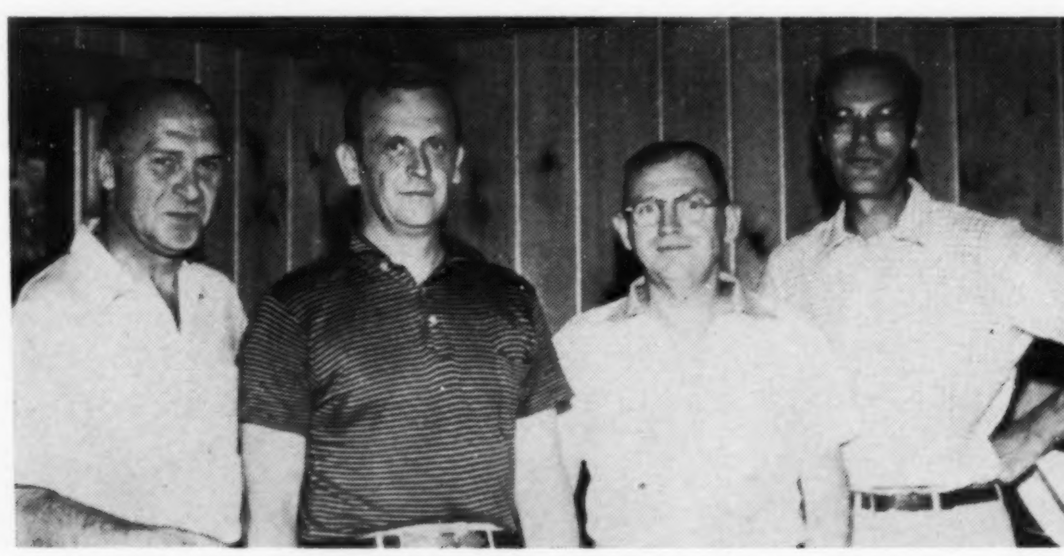


William H. Boland, *Boland, Saffin & Co.*



Frank Cole, *F. R. Cole & Co.*, Newark, N. J.; Leonard P. Groves, *Federal Trust Co.*, Newark, N. J.

S. R. Terrill, *J. D. Topping & Co.;* Al Lange, accordionist; Henry Hegel, *Federal Trust Company*, Newark, N. J.; George W. Philo, Upper Montclair, N. J.



Court Parker, *American Securities Corp.;* Jack Sachau, *Blyth & Co., Inc.;* John P. Ryan, *Goldman, Sachs & Co.;* Norman Brassler, *County Bank & Trust Company*, Paterson, N. J.

Theodore Von Glahn, *Salomon Bros. & Hutzler;* Thomas G. Kenyon, *Carteret Bank & Trust Co.*, Carteret, N. J.; Joseph F. Rush, *Reynolds & Co.*, East Orange, N. J.; Banks E. Moyer, Washington, N. J.

Scott Russell, *Glore, Forgan & Co.;* Ned Byrne, *Byrne and Phelps, Inc.;* Dick Whitcomb, *Phelps, Fenn & Co.;* Henry Rost, *Peoples Bank & Trust Co.*, Westfield, N. J.

Winners at N. J. Bond Club Outing

Winners in the golf tournament at the outing of the Bond Club of New Jersey held at the Rock Spring Club were:

"Bond Club Trophy"

H. G. Houghton, Kean Taylor & Co., Newark ____________ 83—22=61

Class "A"

Low Gross—E. A. M. Cobdin, Kean Taylor & Co. N. Y.___ 79
Low Net—1st N. Brassler, County National Bank & Trust Co., Paterson, N. J.______________________________ 80—14=66
Low Net—2nd A. C. Spring, Outwater J. Wells, Jersey City ________________________________ 81—12=69

Class "B"

Low Gross—F. N. Lillig, First National Bank, Paterson, N. J. ________________________________ 87
Low Net—1st J. J. Johnston, Tucker, Anthony & Co., New York _____________________________ 88—22=66
Low Net—2nd R. R. Krumm, W. H. Morton & Co., Inc., New York _____________________________ 88—22=66

Class "C"

Low Gross—C. B. Schubert, Emanuel, Deetjen & Co., New York ______________________________ 96
Low Net—1st J. Currie, Jr.________________________107—40=67
Low Net—2nd B. E. Moyer, Washington, N. J.__________102—35=67

Investment Banking Group Awarded $93,510,000 New Housing Authority Bonds

Coupon rates of 2¼% and 2⅜% specified for the bonds which mature serially from 1955 to 1994 inclusive.

An investment banking group headed by Phelps, Fenn & Co., Lehman Brothers and Blyth & Co., Inc., was the successful bidder for $93,510,000 of the $119,210,000 New Housing Authority Bonds sold on Tuesday, June 22, at sealed bidding by 27 local housing authorities in 14 states. The following firms also are managers of the investment banking group: Harriman Ripley & Co., Incorporated; Smith, Barney & Co.; Shields & Company; The First Boston Corporation; Goldman, Sachs & Co., and R. W. Pressprich & Co.

The group specified coupon rates of 2¼% and 2⅜% for the bonds which mature serially 1955-1994, inclusive.

The bonds were reoffered to the public in four separate yield groups-scales. A, B, C, D — at prices to yield from 0.75% to 2.55%.

Scale A ranges in yields from 0.75% to 2.35% and applies to bonds of housing authorities of Beaver County, McKeesport, and Mercer County, Pa.

Scale B ranges in yields from 0.75% to 2.45% and is applicable to bonds of the following authorities: Stamford, Conn.; New Bedford, Mass.; and Cincinnati and Cleveland, Ohio.

Scale C ranges in yields from 0.75% to 2.50% and applies to bonds of housing authorities of Los Angeles, Cal.; Plainfield and Trenton, N. J.; Nashville, Tenn.; and Dallas, Tex.

Scale D ranges in yields from 0.75% to 2.55% and applies to bonds of housing authorities in Maricopa County, Cal.; Monroe, La.; Bayonne and Union City, N. J.

Proceeds from the sale of the bonds will be used by the local housing authorities to retire notes issued to the Public Housing Administration (PHA) as evidence of advances made by the PHA or to retire temporary loans obtained from others than the PHA, and the balance of the proceeds will be used to meet additional costs of the low-rent housing projects.

The bonds will be callable 10 years from their dates at 104% and accrued interest, and thereafter at decreasing call prices.

Interest on the bonds is exempt, in the opinion of counsel, from Federal income taxes. In some instances the bonds are also tax-exempt in the State under the laws of which the local authority was created.

The bonds of each issue will be secured by a first pledge of annual contributions unconditionally payable under an Annual Contributions Contract between the PHA and the local public housing authority issuing the bonds. The annual contributions will be payable in an amount which together with other funds of the local housing authority available for the purpose, will be sufficient to pay the principal of and interest on the bonds when due. The United States Housing Act of 1937, as amended, solemnly pledges the faith of the United States to the payment of the annual contributions by the PHA.

In addition to the nine managers the major participants include: Drexel & Co.; Eastman, Dillon & Co.; Equitable Securities Corporation; Merrill Lynch, Pierce, Fenner & Beane; Stone & Webster Securities Corporation; White, Weld & Co.; Bear, Stearns & Co.; Union Securities Corporation; A. C. Allyn and Company Incorporated; Alex. Brown & Sons; Coffin & Burr Incorporated; Estabrook & Co.; Ira Haupt & Co.; Hemphill, Noyes & Co.; Hornblower & Weeks; Lee Higginson Corporation; F. S. Moseley & Co.; Paine, Webber, Jackson & Curtis; Reynolds & Co.; L. F. Rothschild & Co.; Shoellkopf, Hutton & Pomeroy, Inc.; American Securities Corporation; Bacon, Stevenson & Co.; Baxter, Williams & Co.; A. G. Becker & Co. Incorporated; Braun, Bosworth & Co. Incorporated; Clark, Dodge & Co.; R. S. Dickson & Company Incorporated; First of Michigan Corporation; Gregory & Son Incorporated; Hirsch & Co.; Kean, Taylor & Co.; Wm E. Pollock & Co., Inc.; Tucker, Anthony & Co.; Dean Witter & Co.; Wood, Struthers & Co.; Byrne and Phelps Incorporated; Courts & Co.; Francis I. duPont & Co.; Eldredge & Co. Incorporated; Folger, Nolan-W. B. Hibbs & Co., Inc.; Geo. B. Gibbons & Company Incorporated; Hallgarten & Co.; E. F. Hutton & Company; W. E. Hutton & Co.; McDonald & Company; Laurence M. Marks & Co.; Roosevelt & Cross Incorporated; F. S. Smithers & Co.; Stern Brothers & Co.; Stroud & Company Incorporated; Chas. E. Weigold & Co. Incorporated.

The group submitted winning bids for the following issues:

Name	Amount	Cpn.
Maricopa County, Ariz.__	$2,360,000	2⅜%
Los Angeles, Cal.__________	13,575,000	2⅜
Stamford, Conn. _________	3,340,000	2¼
Monroe, La. _____________	1,535,000	2⅜
New Bedford, Mass._______	2,255,000	2¼
Bayonne, N. J.____________	3,030,000	2⅜
Plainfield, N. J.__________	1,780,000	2⅜
Trenton, N. J.____________	1,790,000	2⅜
Union City, N. J._________	3,095,000	2⅜
Cincinnati, Ohio ________	5,700,000	2¼
Cleveland, Ohio _________	5,785,000	2¼
Beaver County, Pa._______	1,855,000	2¼
McKeesport, Pa. ________	1,150,000	2¼
Mercer County, Pa. _____	2,255,000	2¼
Nashville, Tenn. ________	12,105,000	2¼
Dallas, Tex. ____________	31,800,000	2⅜

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The long awaited downward revision in reserve requirements of the commercial banks finally came about, when late on Monday the Federal Reserve Board announced that the deposit banks, in the future, would be required to keep less funds with the Central Banks. The timing of the announcement was the only element of surprise in the picture, but herein again, the powers that be were consistent, because they made public the proposed changes in reserve requirements when the financial district was not looking for it. During the next six weeks the commercial banks, through a series of reduction in required reserves, will have made available to them about $1,500,000,000, which can be used to meet the seasonal needs of business as well as the financing of the deficit of the Government.

The Central Reserve City banks in New York and Chicago will have their reserve requirement reduced from 22% to 20% in slightly more than a month's time. This is being viewed as a constructive development, because the reserve requirements of these banks have been too high and out of line with those of the other banks in the system, for a long time. Reserve City banks as well as the country banks get 1% reduction in reserve requirements by the first of August. Reserves against time deposits will be reduced from 6% to 5%, with this operation being completed today. It is estimated that reserves against demand deposits will be reduced by about $1,180,000,000 in the next six weeks, whereas the reserves against time deposits will be lessened by approximately $375,000,000.

Response of Government Market

As was to be expected, the Government market responded very quickly to the added stimulus of lower reserve requirements of the commercial banks, by moving ahead sharply.

Volume and activity was stepped up because there was a big demand around for the intermediate and longer-term issues. It was reported that a fairly important amount of new money was being put to work in both the middle and most distant obligations.

Switches, however, still provide the bulk of the volume that is being done in these two sectors of the market, with reports to the effect that an expanding group of investors are making purchases of these securities. It is evident, however, that the deposit banks are the important ones in the intermediates, with the Pacific Coast and Middle-West institutions reportedly the largest buyers at the present time.

The longest term obligations have been rather well bought by the commercial banks, but non-bank investors have been the main takers of these securities. Pension funds continue to be the largest buyers of the long bonds.

Investors and Traders Confident

Investors and traders now have a more confident attitude towards the intermediate and long-term market, because of the change in reserve requirements and because the floating supply of these securities appears to be less sizable than had been anticipated in certain quarters. According to reports, it had been expected by some that the middle-term and more distant obligations would be available in fairly large amounts for quite some time, because of the attractiveness of securities other than Governments. To be sure, there will always be plenty of Treasury obligations in the market for sale, but as long as easy money conditions are to be maintained the supply is not likely to be too excessive, because sooner or later the investible funds will take up a great deal of the slack.

It is also indicated that the quick sellout of the New State Thruway Authority Revenue Bonds had a favorable influence upon the Government bond market. The demand for the tax-exempt revenue bond was so large that not a few buyers of this obligation did not get nearly as many of the issue as they wanted. The fact that allotments in the New York State Thruway bonds were quite a bit less than had been expected did not mean that there was an immediate rush to buy Government issues. It did, however, have a favorable psychological effect upon them, which meant that bids were pushed up and offerings were either pulled or substantially reduced. It was also reported that activity in the Government market was helped by the favorable reception which was given to the large revenue issue.

Treasury Faces New Problems

The new fiscal year which gets under way next month will bring with it different problems than what were faced in the current period. It is evident that a rather sizable amount of new money will have to be raised, and there is likewise refundings that will have to be handled. Then, the trend of business must also be taken into consideration. Even though there has been a turn for the better in the economic situation, it is still too early to make changes in the mechanisms which have helped in some ways to bring this about. Easy money conditions is one of the measures, which has been credited with having a favorable influence upon the business picture. Accordingly, it seems as though the pattern of things to come in the next fiscal period would indicate continued easy money.

Correction

In the "Financial Chronicle" of June 17 in reporting the change of firm name of Burton, Cluett & Dana, 120 Broadway, New York City, members of the New York Stock Exchange, the new firm name was incorrectly given as Burton, Cluett & Co. Effective June 30 the firm will be known as Burton, Dana & Co.

Midwest Exchange Member

CHICAGO, Ill. — The Board of Governors of the Midwest Stock Exchange today elected to membership William Wood Prince of Chicago.

The membership acquired by Mr. Prince was originally issued in 1885 to Frederick H. Prince, capitalist now deceased.

Assoc. Gen. Utilities Elects Officers

PHILADELPHIA, Pa.—Edward J. Caughlin, Edward J. Caughlin & Co., Philadelpiha, was elected President of Associated General Utilities Co. on June 14. Henry C. Hasbrouck was elected Chairman of the Board and David H. Kerr, Secretary and Treasurer.

Edward J. Caughlin

Newly elected to the Board of Directors are Mr. Caughlin; Mr. Hasbrouck; Robert C. Jarvis; Joseph V. McManus, Joseph McManus & Co., New York; George Rosier; Harold F. Scattergood, Boenning & Co., Philadelphia; and Frank Mauran 3rd.

Stein Bros. & Boyce Partnership Change

BALTIMORE, Md.—Stein Bros. & Boyce, 6 South Calvert Street, members of the New York Stock Exchange, have announced that C. Prevost Boyce has retired as a general partner and has become a limited partner in the firm.

Form Adriatic Secs.

JERSEY CITY, N. J.—Adriatic Securities Corp. has been formed with offices at 30 Journal Square to engage in a securities business. Officers are Albert Bradick, President and Treasurer, and William K. Jacquin, Vice-President and secretary.

William A. Barry Opens

William A. Barry is engaging in a securities business from offices at 15 East 11th Street, New York City. He has recently been associated with Grimm & Co.

Richard Bruce Co. Formed

Richard Bruce & Co., Inc., has been formed with offices at 25 Broad Street, New York City, to engage in a securities business. Officers are Kenneth Kass, President and Secretary, and George Grant, Vice-President and Treasurer. Mr. Kass was previously with Oppenheimer & Co.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

James S. Rockefeller, 17th President of **The National City Bank of New York**, accepted **portrait** of the Bank's first President, Colonel Samuel Osgood, from the artist, Mrs. Virginia Emmons, (Dover, Mass.) on the occasion of the Bank's 142nd Anniversary. Colonel Osgood was also the first Postmaster General of the United States. The Bank was established June 16, 1812. The picture in the background is James Stillman, National City's tenth President, and Mr. Rockefeller's grandfather.

James S. Rockefeller, President National City Bank of New York accepts portrait of Bank's First President, Col. Samuel Osgood from the Artist Mrs. Virginia Emmons.

At a regular meeting of the Board of Directors of **The National City Bank of New York**, held on June 22, William A. Rough was appointed an Assistant Cashier.

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Appointment of George S. Baird and J. Russell Lee as Assistant Trust Officers of **Manufacturers Trust Company, New York**, was announced on June 18.

Mr. Baird joined the staff of **Brooklyn Trust Company, Brooklyn, N. Y.** in 1935. Mr. Lee was first employed by Brooklyn Trust Company in 1931.

Both men came to Manufacturers Trust through the merger of Brooklyn Trust Company in October, 1950, and are assigned to the Personal Trust Department, 55 Broad Street.

Appointment of Harry J. Callan, Max A. Hauser and William E. Reichenbach as Assistant Vice-Presidents of Manufacturers Trust Company was also announced on June 24 by Mr. Flanigan.

Mr. Callan joined Manufacturers Trust in June, 1929 and was appointed an Assistant Secretary in June, 1946. Mr. Callan is assigned to the West Side Office at 481 Eighth Avenue (Manhattan).

Mr. Hauser, joined the **State Bank New York** in July, 1926 and came to Manufacturers Trust through the merger of the two banks in June, 1929. In January, 1948 he was appointed an Assistant Secretary. Mr. Hauser is officer in charge of the Southern Boulevard Office (Bronx) of the bank.

Mr. Reichenbach joined Manufacturers Trust in June, 1937 and was appointed an Assistant Secretary in March, 1951. Mr. Reichenbach is assigned to the bank's 18th Street Office (Manhattan).

* * *

Chemical Bank & Trust Company, New York, has appointed Frank S. Dibrell and James E. Kennedy Assistant Trust Officers, it was announced on June 18 by N. Baxter Jackson, Chairman.

Both are affiliated with Chemical's Fiduciary Division, Mr. Dibrell in the Personal Trust Department and Mr. Kennedy in the Pension Trust Department.

* * *

Gilbert Yates, a Vice-President of the **Chemical Bank and Trust Company** died on June 18.

Mr. Yates was born in Brooklyn on Jan. 5, 1896. He began work with the Chemical Bank as a messenger when he was 16 years old. Since 1946 he had been one of the Vice-Presidents in the metropolitan division, handling advertising and general local banking.

* * *

Henry Race Juliand, Assistant Vice-President of the **Hanover Bank**, died on June 22. He was 39 years old.

Mr. Juliand entered the employ of the **Central Hanover Bank and Trust Company, New York** now the Hanover Bank. In 1942 he was named Assistant Secretary and in 1950 Assistant Vice-President.

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Ray Murphy, has been elected to the Board of Directors of the **Commercial State Bank and Trust Company of New York**, it was announced on June 17 by Jacob Leichtman, President of the 30-year-old banking institution.

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Robert M. Catharine, President of **Dollar Savings Bank of the City of New York**, announced on June 17 that trustees have elected Mrs. Elaine Nelson an Assistant Vice-President, Lewis J. Byrne an Assistant Treasurer and Robert J. Zeller an Assistant Comptroller.

* * *

Consolidation of **First Suffolk National Bank of Huntington, N. Y.** and **First National Bank & Trust Company of Amityville, N. Y.**, has become effective, according to an announcement on June 17 by George A. Heaney, President of the merged institution. The merger has been approved by stockholders of both banks and by the Comptroller of the Currency. Known as First Suffolk National Bank of Huntington, the enlarged bank will be the third largest bank on Long Island, outside of the metropolitan area, with total resources exceeding $39,000,000.

With offices in Huntington, Northport and East Northport serving the commercial banking needs of the North Shore, First Suffolk, through its new branch in Amityville, will be better able to make these complete banking facilities available to the South Shore's rapidly expanding communities.

* * *

The Shareholders of **The First National Bank of Toms River, N. J.** at its annual meeting on Jan. 12, authorized the sale of 3,000 additional shares of the Common Capital Stock of the Bank of $10.00 par value at $50.00 a share, by the issuance of subscription rights to shareholders to subscribe for 1/26th of a share of new stock for each share of stock held. Under this plan subscription warrants were issued on May 14, 1954, and they expired on June 16. All but six shares were subscribed for by the holders of the warrants, and on June 16, the six remaining shares were sold at public auction to Edward F. Larrabee at $72.00 a share.

The $150,000.00 of capital received was divided as follows:

$30,000.00 was applied to Common Capital Stock increasing the total outstanding from $780,000.00 to $810.000.00.

The remaining $120,000.00 was added to the Surplus Account, increasing it from $1,290,000.00 to $1,410,000.00.

The total resources of the bank are in excess of $31,000,000.00.

* * *

G. Stockton Strawbridge, was elected a Director of the **Philadelphia National Bank, Philadelphia, Pa.** on June 15. He succeeds to a place on the Bank's board which was vacated by the resignation of his uncle Robert E. Strawbridge, for many years a Director of the Bank.

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The First National Bank at Wilkinsburg, Pa. with a common capital stock of $400,000 went into voluntary liquidation and was absorbed by **The Colonial Trust Company, Pittsburgh, Pa.**

* * *

The Office of the Comptroller of the Currency on June 4 issued a charter to the **Kewanee National Bank, Kewanee, Ill.** The Bank has a capital of $200,000 and a surplus of $100,000. The President is E. O. Reaugh and the Cashier is C. E. Waters.

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The Curtiss National Bank of Miami Springs, Fla. was issued a charter by the Office of the Comptroller of the Currency on June 4. The Bank has a capital of $500,000 and a surplus of $250,000. Edward Mercer is President and Richard D. Marzane, Jr. is Cashier.

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Presidents Blagden Manning of the **Dallas National Bank, Dallas, Texas**, and Ben H. Wooten of the **First National Bank in Dallas, Dallas, Texas**, on June 17 issued the following joint statement relative to the merger of the two banks:

The directors of the First National Bank in Dallas met on June 17, and approved the agreement that had been worked out and recommended by the officers of the respective banks, and the directors of the Dallas National Bank met on the same day and likewise approved.

The Bank will operate as the First National Bank in Dallas. Every phase of banking activity will be carried on by the merger, including a substantial foreign department, a large trust department, and oil, commodities, and correspondent banking departments.

The personnel of both banks will be retained, and the boards of directors will serve in the capacity of directors.

The par value of a share of stock in the First National Bank is $10, and the par value of a share of stock in the Dallas National Bank is $20. It was agreed that 2¼ shares of stock would be issued in the merged bank for every one share of stock of the Dallas National Bank, and one share of stock would be issued in the merged bank for every one share in the First National Bank. The Dallas National Bank Building is carried in its assets at only $1,185,000, and its value is far in excess of that amount, thus justifying the issuance of the additional ¼ share. It is contemplated that at a convenient time the building will be sold.

A stock dividend of the merged Bank will be authorized which will provide for the issuance of one share of stock in the merged bank to the present stockholders of both banks for every 95 shares now owned. The number of shares so issued will be 18,750, thus bringing the capital of the merged bank to $18,000,000, the surplus to $18,000,000, and after adjusting entries the merged Bank will have an undivided profit account of approximately $6,337,000. The contingent fund, which is in reality unused reserves, will be $3,275,000. As of the last published statement, April 15, 1954, the deposits of both banks were listed at $609,930,000, and the resources at $659,930,000. It is contemplated that the dividends per share will be at $1.30 per annum.

The shareholders of the Dallas National Bank now own the United States Bond and Mortgage Company. Its shares will be distributed to them, and the stockholders of the First National Bank will not participate in that ownership. The First National Securities Company recently disposed of its affiliate banks and has on hand a large amount of cash. A cash dividend of that company of 60c per share, aggregating $900,000, will be distributed to the shareholders of the First National Bank only, leaving a substantial capital investment in the First National Securities Company that will be owned by all the shareholders of the merged bank.

The employees of each bank will be placed under a retirement fund whereby all employees, under like conditions, length of service, etc., will receive the same benefits.

Mr. Wooten will be the President of the merged bank. Mr. Blagden Manning will be Chairman of the executive committee. Mr. J. C. Tenison will be Vice Chairman of the Board and Mr. Joe Agee will be a Senior Vice President. Mr. George Aldredge, now chairman of the executive committee of the First National Bank, will become Chairman of the loan committee of the merged Bank. Other officers will bear the same titles that they now carry in the respective banks.

In order for the merger to be effected, it must be approved by the Comptroller of the Currency and then by the shareholders of the respective banks. The date for the stockholders' meetings will be set as soon as formal approval has been procured from the Comptroller of the Currency. The setting of this date will necessitate another directors' meeting of each bank.

* * *

Ben H. Wooten, President of the **First National Bank in Dallas, Dallas, Texas**, has announced the promotion of John B. Clayton III to Assistant Vice-President. Mr. Clayton joined First National as a member of the bond department staff, and in January of this year was named an Assistant Cashier.

Bankers Offer Tenn. Gas Transmiss'n Bds.

Stone & Webster Securities Corp., and White, Weld & Co. jointly headed an underwriting group which on June 22 offered publicly $25,000,000 of first mortgage pipe line bonds, 3⅝% series, due 1974, of the Tennessee Gas Transmission Co. priced at 101.787 to yield 3.50% to maturity.

The bonds were won by the group at competitive bidding on June 21 on a bid of 101.087 for the indicated interest rate.

Regular redemption prices commence at 105.79 if called during the 12 months beginning May 31, 1954 and range downward to 100 on and after May 31, 1973. Special sinking fund redemption prices range from 101.79 to 100.

Of the proceeds, $20,000,000 will be applied to payment of the company's outstanding short-term notes incurred in its expansion program to increase the system delivery capacity by construction of additional facilities from approximately 1,445,000 MCF of natural gas to 1,694,500 MCF. The balance will also be applied to the further expansion of the company's system. Estimated remaining construction cost is expected to amount to approximately $134,000,000.

The company owns and operates a pipe line system for the transportation and sale of natural gas. The system begins in the Rio Grande Valley of Texas, extending across Texas, Louisiana, Arkansas, Mississippi and Tennessee to a point near Charleston, West Virginia, with another branch extending to the east coast.

For the 12 months ended March 31, 1954 the company had total operating revenues of $136,933,321 and net income of $18,745,187.

David C. Kuh Now With Managed Inv. Programs

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—David C. Kuh has become associated with Management Investment Programs, 41 Sutter Street. Mr. Kuh was formerly a partner in Hooker & Fay.

John S. Wong, formerly with Richard A. Harrison, has also joined the staff of Managed Investment Programs.

With First Cleveland Corp.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—James D. Soucek has become associated with First Cleveland Corporation, National City East Sixth Building, members of the Midwest Stock Exchange. He was formerly with Fahey, Clark & Co.

Continued from page 9

International Finance and The Foreign Trade Outlook

investment. In addition, the President has suggested to the Congress the desirability of broadening the existing authority to provide guarantees against loss on new investments abroad, where these losses are caused by war, revolution, or insurrection. At present, these guarantees may be provided only against the risks of expropriation and inconvertibility of currencies.

A More Favorable Climate Needed for Investments Abroad

Basically, of course, if any extensively increased volume of United States private capital is to flow abroad, the foreign countries themselves must create a more receptive and favorable climate. Private capital cannot be driven to other countries, no matter how friendly. It must be attracted by the nation desiring the capital. United States private capital will be invested where conditions of political and economic stability and fair and equitable treatment provide it an opportunity for reasonable profit and assurance of remitting earnings.

In some foreign countries, the opportunities for American private capital are limited because of the lack of basic facilities, such as roads, port facilities, irrigation, and other fundamental services. For those development projects which may not be suitable for or attractive to private capital the International Bank for Reconstruction and Development, to which the United States has made important capital contributions, is the primary instrument through which the free world can cooperate in public financing of such economic development. In addition, the Export-Import Bank will consider on their merits applications for financing of development projects which are not being made by the International Bank, and which are in the special interest of the United States, are economically sound, are within the capacity of the prospective borrower to repay and within the prudent loaning capacity of the Bank.

The purposes of the Export-Import Bank are to aid in financing and to facilitate the foreign trade of the United States. Under the law it is to supplement and encourage and not compete with private capital and its loans should generally be for specific purposes and offer reasonable assurance of payment. In carrying out its fundamental purposes the Export-Import Bank is regularly receiving, considering and approving exporter credits at the instance of United States suppliers which are within the terms of the Act and which the Bank considers sound.

The future of our foreign trade will also be conditioned in an important degree by our willingness to import goods and services and thus make it possible for foreign countries to purchase our products. As our program of foreign economic aid is reduced, other countries will have to rely more largely on their sales to us to earn dollars for purchases here. In order to facilitate a freer movement of commerce across national boundaries within the free world, the President has recommended renewal of the Trade Agreements Act, authority for selective revision of our tariffs, the simplification of our customs administration and procedures, and the modification of our Buy American legislation.

Finally, and most basic of the President's proposals, from the point of view of our exports and of our broad objectives, are those which relate to the convertibility of currencies. One of the most important devices which foreign countries use to control their imports is to regulate the expenditure of their foreign exchange resources. To the degree that these regulations are relaxed, and each foreign currency freely exchanged for others, the easier it should be for us to sell our products in foreign markets. It will also benefit those who buy from us, since it will enable foreign purchasers to choose the supply available at the lowest price, irrespective of the source. This cannot now be done, with inconvertible currencies, because the availability of means of payment limits the range of choices by foreign buyers.

In his message to the Congress on foreign economic policy, the President said "The Commission rightly regards positive progress toward convertibility as an indispensable condition for a freer and healthier international trade." The President approved the Commission's recommendations for co-operation in strengthening the gold and dollar reserves of countries which have prepared themselves for convertibility by sound internal and external policies and said the United States will support the use of the resources of the International Monetary Fund as a bulwark to strengthen the currencies of countries which undertake convertibility.

The initiative and responsibility for introducing currency convertibility must rest with the countries concerned. Fortunately such initiative is being taken. The United Kingdom and other members of the Commonwealth have met twice to consider plans for the convertibility of sterling and they and other important nations of Europe, such as the Federal Republic of Germany, have discussed their aims with us.

Currency Convertibility Essential

Throughout the postwar years the reestablishment of conditions of convertibility and non-discriminatory multilateral trade has been a major aim of the U. S. Government. As we look about us in the world today, we find that trade and payments, while still not as free as we would like, are freeer than at any time since the end of the war. Foreign countries have strengthened their internal financial stability, their competitive ability, and their gold and dollar reserves. Currencies are sounder. And perhaps most important of all, more government leaders and people are abandoning economic restrictionism and controls and artificial values as instruments of policy. More and more they have turned to greater economic freedom and the value of stronger, more competitive economies.

As we enter a period when convertibility becomes closer, those of us concerned with trade and finance must recognize that the word "convertibility" is only a shorthand phrase which is intended to depict a certain kind of world. Convertibility means international trade and competition at realistic exchange rates with a relatively freely functioning and internationally competitive price mechanism. In its fullest sense it means the greatest possible absence of hampering restrictions, buying in the cheapest market, lowering costs and prices, and spreading technical improvements and new inventions to all parts of the trading world. It means sound and efficient production and trade at a high level and the best allocation of resources for the benefit of all of us.

Convertibility in its fullest sense means a world in which foreign countries have succeeded in balancing their international accounts, and expect to keep them in balance. It means a world in which a foreign country's goods can compete more freely with American goods in its own domestic market, in the United States market, and in third markets throughout the world. It also means a world in which American goods can compete in markets in which they have been previously restricted or even disbarred.

The American producer and trader has no fear of fair and free competition in a stronger world. With our enterprise and our productivity — helped by our freer economy here and such things as the tax revision bill—and with renewed emphasis on our proven marketing ability, Americans will win a fair share of any market which is open in the manner which convertibility implies.

With more convertible currencies in the free world and with further relaxation of restrictions, we may expect that markets now closed will be opened to American goods and the total volume of trade and investment will be stimulated. With higher levels of trade and investment based on sound and efficient production and increased economic freedom we shall achieve — together with our allies — the freer, the more unified and more dynamic world of progress which is essential to our greater and sustained political, military and economic strength and freedom.

A. W. Parker Joins E. F. Hutton & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Arthur W. Parker has become associated with E. F. Hutton & Company, Board of Trade Building. Mr. Parker was formerly with Sills, Fairman & Harris, Incorporated, in their trading department for many years.

Arthur W. Parker

Berk, Greenberger Admit

Berk, Greenberger & Co., 60 Beaver Street, New York City, members of the New York Stock Exchange, on July 1st will admit Raymond M. Abrams and Samuel Pivar to limited partnership in the firm. On June 30th Eugene Greenberger and Henry Mintz will retire from partnership.

Universal Secs. Opens

Universal Securities Co. has been formed with offices at 303 West 42nd Street, New York City, to conduct an investment business. Partners are Herman A. Safion and Louis Chazan. Both were previously with Graham, Ross & Co., Inc.

Joins Samuel B. Franklin

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Cal.—Emory A. Jackson has become affiliated with Samuel B. Franklin & Co., of Los Angeles. Mr. Jackson was previously with Hill Richards & Co.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Bank Stocks

The dominant news in the banking field this week was the announcement by the Federal Reserve of a reduction in reserve requirements.

The scheduled reductions on net demand deposits will go into effect gradually between June 24 and Aug. 1 as follows:

June 24—
Central Reserve City from 22% to 21%.
July 29—
Central Reserve City from 21% to 20%.
July 29—
Reserve City Banks from 19% to 18%.
August 1—
Country Banks from 13% to 12%.

On time deposits reserve requirements were reduced from 6% to 5% retroactive to June 16 at country banks. A similar reduction, from 6% to 5%, at central reserve and reserve city banks is to be effective on time deposits as of June 24.

A change in reserve requirements had been forecast and expected for the last several months. It seemed logical that the Federal Reserve would make some positive move in its program of endeavoring to stimulate business through easing credit. The exact timing of the event and its form were the only surprising features of the event.

One of the most significant factors in the reduction was the differentiation it made between Central Reserve and other banks. The New York and Chicago banks have long believed that the basis for requiring them to maintain higher reserves has changed and that the existing requirements discriminated unfairly against the large money center banks.

A year ago the Federal Reserve lowered Central Reserve City requirements by two percentage points and Reserve City requirements by one percentage point. Thus the spread between the two bank groups, which formerly amounted to four points has by these actions been reduced to two. This is quite heartening to the larger banks as it gives tangible evidence that their efforts to bring about a revaluation of reserve requirements are being given consideration.

Another favorable feature of the reduction is that it will enable the banks to expand their earning assets. This should help to maintain earnings at the present time when the rate of earnings is showing signs of declining.

On the negative side, the release of additional reserves may bring additional pressure for a reduction in borrowing rates.

The easier money conditions which have prevailed over the past six months brought about a reduction in the prime rate at New York and Chicago banks several months ago from 3¼% to 3%. Other loaning rates for names of lower quality have also been adjusted.

This reduction was made in recognition of the decline which was occurring in loans, the easier credit condition and reduction in money rates other than those on bank loans. Actually some of the larger banks were rumored to have made concessions to borrowers some time before the official announcement of the reduction was made.

It would not be surprising under current conditions if some shading of bank rates was made. Possibly some of the former second grade credits may now become prime credits or some concessions made to other borrowers. While this does not officially amount to a reduction in rates the result is the same. Whether a reduction in the prime rate below 3% is made remains to be seen.

Then a reason for believing that, if it does occur, the official announceemnt may not be made for some time. The banks are now entering upon a period of seasonal loan expansion. Also, there is talk that business is beginning to pickup. This could also generate additional borrowing. In view of this it would seem advisable to wait until the extent of seasonal credit demands can be determined more accurately.

In other words, should credit needs over the next several months come up to expectation, there would seem little reason to cut rates widely at the present. On the other hand, should business continue to ease and loan requirement gain less than normal, the pressure on rates could become greater.

It is interesting in this connection, to note that one of the reasons given for the reduction in reserves by the Federal Reserve was to meet an expansion in demand for bank credit anticipated during the Summer and Fall.

Wells, Shute Join Baxter, Williams Co.

Baxter, Williams & Co., members of the Midwest Stock Exchange, have announced the acquisition of the business of Wells, Elliott & Co., Inc., of Minneapolis.

Stephenson Wells, formerly President of Wells, Elliott & Co., Inc., has been appointed resident manager of the new Baxter, Williams & Co. office at 231 So. La Salle Street, Chicago. Preston B. Shute, formerly with Jamieson & Co., has become associated with Baxter, Williams & Co. as resident manager of the firm's office in the Rand Tower, Minneapolis.

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The Economic Picture at Mid-1954

higher in the first quarter of this year than it was last year.

In May of this year, 61.1 million people were employed as against 61.7 million a year earlier—a decline of 600,000. The unemployed numbered 3.3 million last May against 1.3 million a year ago. Thus the increase in unemployment was largely a result of failure to absorb the increase in the labor supply.[1] The basic data are shown in Table II.

Unemployment compensation beneficiaries dropped below two million in June for the first time since January. Declines in factory employment have been partially offset in other sectors. When students enter the labor force this month, unemployment figures may increase. The problem may be somewhat stubborn for the future.

National Security Expenditures

National security expenditures — Defense Deparment, foreign military aid, stockpiling, and atomic energy—were $50.3 billion in fiscal year 1953 and are estimated to be $48.7 billion in fiscal year 1954. For fiscal year 1955 the estimate runs at about $45 billion —down nearly $4 billion from the current fiscal year. Through April of last year they amounted to $40.1 billion, and $38.3 billion through April of this year. Thus, the decline of general economic activity may be partly attributed to the attainment of certain defense goals. This component of our economy should decline moderately next year—unless the international situation calls for a reversal.

However, the decline in the shorter-run in defense expenditures and new orders has probably ended. As part of the Administration's program of bringing outstanding obligations under control, the Defense Department has held new contracts substantially below budget authorizations. Industrial procurement has been cut, expenditures on defense have dropped about $6.5 billion at annual rates) from the peak in the second quarter of 1953. The cut in outstanding orders has been nearly twice as much. Some increase in new orders is almost certain. National security expenditures in the first part of this year have been substantially below the budget for fiscal year 1954 and even somewhat lower than the rate scheduled in the budget for fiscal year 1955. Thus, apart from any new war, an increase is to be expected in defense outlays in the months ahead.

National government expenditures are likely to generate a $10 billion deficit at annual rates) in the remainder of calendar 1954. A good part of the deficit will be financed through credit expansion, thereby buoying up the economy. State and local government expenditures are still rising. Some seasonal rise in private borrowing is expected. Thus the possibility of maintaining current levels of economic activity throughout this year appear good.

Inventory Decline

What began last year as an inventory adjustment was reinforced (as just noticed) by the decline of military spending.

Inventory is the most volatile element in our economy. When inventories are accumulated by consumers or business, this means that production and sales exceed consumption. This extra production generates extra income for producers all along the line — jobs, a longer work week, more income, and upward price tendencies.

In the second quarter of 1953 business inventories were accumulated at an annual rate of $6 billion. Obviously, this, in many ways an unhealthy situation, cannot be continued of maintained.[2] A tighter monetary policy was clearly indicated.

In the first quarter of this year inventory deaccumulation ran at a rate of $4 billion. This means that we are now selling and consuming more than we are producing. In turn, for the time being this means disemployment, underemployment through a shorter work week, and a danger that the growing labor force will not be promptly absorbed. And an inventory recession can lead or spiral into a general recession.

However, inventory liquidation cycles tend to come to an end by the necessity of replenishing shelves and warehouses as in 1949. Since, with the exception of automobiles, we have been consuming more than we were or are producing in most major lines, the expectation that production will be stepped up shortly rests on a reasonably secure ground. Manufacturers' new orders were $23 billion in April—$2.4 billion under April, 1953. Unfilled orders declined to $51.8 billion, 31% under April, 1953. Unfilled orders at the end of April were equal to 2.12 months' sales, against 2.85 a year earlier.

These down trends appear to be levelling out, or reversing themselves.

The Construction Industry

The Departments of Commerce and Labor, on June 14, released new estimates of construction for 1954, raising them by 2% above the 1953 level of $35.3 billion to $36 billion.

In nearly all major components there are upward revisions of expectations. Residential construction is unexpectedly strong. Since the end of World War II nearly one family in every six has moved into a new house—a performance never duplicated in our history or in any other nation. It has been assumed that the housing boom of the last eight years would inevitably taper off. Since 1949 we have had more than one million new housing starts each year. The April rate ran at nearly 1.2 million new starts. Builders are flooding government agencies with requests for 80% more Veterans Administration appraisals than last year. A strong latent demand, moderate or low down payments, supply of mortgage money, and moderately reduced interest rates, account for this strength. The prospects of new housing legislation and regulations would seem to assure a continued level of residential construction into 1955 and perhaps beyond.

There has been some clamor for a huge public works program from some Left-Wing circles such as A. D. A. and others; but in the face of the current strong construction boom a substantially stepped-up public works program would inevitably force up materials prices, labor costs, cost of loans, and contractors' margins—conceivably to the point where there would be less total construction than there would be in the absence of an expanded public works program.

While total new residential private construction is up moderately over last year, industrial construction is expected to be down by one-eighth. Railroad construction is declining.

Public utility construction is rising. Commercial construction will hit new peaks this year and conceivably next year. The same is true for stores, restaurants and garages. Religious, education and social service type of construction are strong. Highway construction is expected to jump from $3.2 billion last year to $3.65 billion this year.

The construction industry today accounts for nearly one-tenth of our total economy. If it is strong the rest of the economy get vigorous support — industrial eqiupment, consumer durables, plumbing and hearing supplies and house furnishings.

Tax Cuts and Sound Money

In some circles the Administration has been publicly accused of being a "do nothing" Administration. The Administration has acted in accordance with the best economic thinking in a way never duplicated by any Administration in our history.

Part of this favorable response, of course, was fortuitous or accidental.

We have had, or will have had, the largest tax cut in our history in 1954. In January, the personal and corporate tax expirations were allowed to go into effect. In April excise taxes were cut by $1 billion. This summer the revamping of the Internal Revenue Code will provide another cut of $1.4 billion. This makes a total of about $7 billion at annual rates. This leaves that much additional spendable funds in the hands of individuals and business for personal expenditures or investment.

As the government outlays are cut, we must, of course, expect a changed demand for goods and services, thus bringing some dislocation and disemployment. But as individuals and business promptly spend these tax savings, re-employment and new type production should take place. Apparently this is what is happening. Tourist expenditures are expected to rise 10% this year. The same is true of some other services.

Similarly, the Administration has moved promptly in the field of bank credit. In the winter of 1953 there were still clear signs of upward price pressures and some shortages. Tight monetary policy was indicated and, in fact, was adopted. By May of last year it appeared that the Korean War boom had passed its peak and that softer markets might be ahead. Then with good luck or good judgment the Administration embarked upon an easier money policy which has been continued.[3]

A sound money policy differs from an easy money policy. The former assumes that the government has the will, courage and ability to choke off inflationary threats. This, in turn, gives it elbow room when markets threaten to become softer to reduce bank reserve requirements, rediscount rates and engage in open market operations.

Furthermore, there is good reason to believe that the Administration and the Federal Reserve are committed to the maintenance of sustained growth in the money supply. This is in line with some pioneering research findings to the effect that this may be one of the indispensible foundations of a growing economy and sustained prosperity.[4]

Growth Means Trouble

Growth in organisms does not proceed smoothly. We are bound to have various sectors of our economy get out of joint from time to time. It is the function of a free pricing system to call the signals. With the help of forecasting, oversupplies and undersupplies can be corrected.

We should not expect peak demand or super-boom activity at all times; it takes time to make readjustments. Corrective policies can be too soon and too big, just as they can be too little and too late. Indeed, Senator Paul H. Douglas has suggested:

"There is a further zone of uncertainty within which we do not know what is going to happen. I submit as a rough judgment that probably we should not run a governmental deficit unless unemployment exceeds 8% and, indeed, possibly slightly more than that. When unemployment is between 6 and 8%, the governmental budget should at least balance and therefore be neutral in its effects. When unemployment is over 8%, we should have a deficit; but when it is under 6%, there should be a surplus."—Senator Paul H. Douglas, Economy in the National Government," 1952, page 254.

On the government side the methods of treating a threat of contraction are numerous. As Arthur Burns said:

"They include the quiet measures of maintaining a growing money supply, of easing credit conditions, of revising the structure of taxation, of modifying loan and insurance programs, of rescheduling expenditures within existing budgetary plans, of revising administrative rules or hastening administrative decisions at a hundred different points in the interests of the private economy, besides the dramatic devices of fiscal action on which current debates tend to center."[5]

Built-in Stabilizers and Bulwarks

Our economy today has a number of built-in stabilizers or bulwarks against depression which it did not have in the early 1930's. These stabilizers **helped** to prevent the dip in 1949 from becoming serious:

(1) **The Farm Price Support Program.** A flexible support program would be desirable in the opinion of many farmers, businessmen and economists. This would provide a sensitive guide to production and consumption. It would spare taxpayers the necessity of having to buy surplus farm products at high levels. Nevertheless a farm price support program can exert a stabilizing influence by discouraging disorderly marketing and price slashing. Abrupt price collapses stimulate the hoarding of cash with the consequent adverse effects on buying and selling.

(2) **The Unemployment Compensation System.** The system is backed by a trust fund of almost $9 billion, which provides payments (ranging up to 26 weeks in some states) for employees temporarily laid off. This helps to maintain retail sales, although the entire reserve fund is less than 4.5% of the total compensation of employees in 1953.

(3) **The Numerous Private and Public Pension Programs, including Social Security.** These will continue to pay money to beneficiaries and thus help to keep up the continuity of sales, regardless of economic conditions.

(4) **The Federal Deposit Insurance System.** This makes a bank run inconceivable. Banks are in a strong liquid position. Not one can fail where a thousand failed in the 1390's.

(5) **The Amortized Nature of Most of Our Private Debt.** While debt has grown to rapidly for good economic health and has helped cause inflation and consumer debt is at an all-time high relative to income, total private debt is still only about half as much as it was in 1929, relative to the national income.

(6) **The Volume of Liquid Assets Held by Individuals and Businesses.** The volume has grown from $65 billion before the war, to an estimated $270 billion today. This means that the rush to get assets in a liquid condition, one of the characteristics of a downdrag, is not likely to be the kind of powerful deflationary force it was in the 1930's.

(7) **The Tax Reductions Which Went Into Effect Jan. 1, in April and Others in Prospect.** These tend to leave more money in the hands of business for investment in new job-making enterprises, and in the hands of consumers for spending.

(8) **The Quick Reactions Which Occur in Our Tax Structure, With Its Heavy Reliance on the Income Tax.** As emplyoment and business drop off, the tax liability of individuals and businesses also quickly drops. Government revenues decline and the government is forced to borrow. The government has a wide range of choices on how to borrow and can do so in a way that will help maintain the money supply.

Long-Run Growth

As previously pointed out, the reaction of business and consumers at a given time is heavily conditioned by their intermediate and long-run expectations. The idea of growth and expansion is deeply embedded in the thinking of the American people. In the 1930's we added 9 million to our population, in the 1940's, 19 million and the expectation for the current decade is about 25 million, making a total population of nearly 190 million by 1965. Gross national product should be $225 billion, against $360 billion this year.

Population pressures alone will never make for prosperity and may indeed create poverty (the law of diminishing returns). Such growth in a favorable political and economic climate coupled with a dynamic culture based on science, invention and research and a dynamic entrepreneurial class, provides a foundation for progress. Volumes could be written on the new technology, with the new emphasis on science, research, including marketing research. Its significance rests both on its rising volume and its greater selectivity and ingenuity. It is a competitive weapon and therefore it must be imitated. It constantly uncovers new investment outlets and thereby it may help prevent depression.

It is unwise for a business executive to set his sights too low in the light of these growth potentials. This helps tide us over the face us today and will face us as we move from new peaks to new peaks.

1 The "employed" figure obscures some underemployment, workers subject to recall, etc.

2 The January 1953 issue of "Economic Intelligence" foreseeing this danger, urged precautionary steps.

3 See Annual Report of the Board of Governors of the Federal Reserve System for 1953—pages 3-5.

4 This idea is not widely understood. A growing number of economists are inclined to accept and endorse it.

5 Dr. Arthur F. Burns, Columbia University Bicentennial Conference address, May 26, 1954. These ideas, along with business management policies, are extensively explored in: 'A Program for Expanding Jobs and Production," and "Sustaining Prosperity," Chamber of Commerce of U. S. A., Washington 6, D. C.

TABLE II
Employment Data

	May 1953	May 1954
Labor Force (Bureau Census):		
Civilian labor force	62,964,000	64,425,000
Employed	61,658,000	61,119,000
Agricultural	6,590,000	6,822,000
Nonagricultural	55,068,000	54,297,000
Unemployed	1,306,000	3,305,000

Joins Waddell & Reed

(Special to The Financial Chronicle)

KANSAS CITY, Mo.—William L. Harrison has become associated with Waddell & Reed, Inc., 1012 Baltimore Avenue. He was formerly affiliated with Merrill Lynch, Pierce, Fenner & Beane and in the past was in the trading department of A. E. Weltner & Co.

With Elworthy & Co.

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif. — Albert R. Wright has become associated with Elworthy & Co., 111 Sutter Street. In the past he was with Sutro & Co.

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Components of Prosperity

proaches to old problems. Some present experimental projects show considerable promise.

For example, scientists are cultivating experimentally a type of algae or seaweed which absorbs much more of the sun's energy falling upon it than standard crops, possibly up to 25%, which covers its growing area completely, and has no seasons—the harvest is continuous. It has almost no inedible structure, and can be made to yield carbohydrates, proteins and fats in predetermined percentages. Finally, it doesn't require arable land, because it grows in a solution of water and readily available chemicals, and is immune to weather hazards. It is estimated that an acre would produce 40 tons of the crop and that this would yield 20 tons of protein and 3 tons of fats—a harvest that dwarfs anything we have ever known. It doesn't sound appetizing to me, and commercial production is something often quite different from the experimental plant. However, this is a straw in the wind. There are countless others. When you look out over the horizon and see what is being done, you find it difficult to be pessimistic—at least I do.

The promise that such developments—such genius for scientific adventure—hold for prosperity is immense. If the technological advances already made are taken advantage of rapidly, we will see an end to the traditional assumption that where there are adverse conditions, food production is limited; that where power is scarce or there are important transportation cost differentials for fuel, there cannot be production; that unless you are in a major business center, you are isolated from the essentials of productivity. What this means is obvious at a glance: a country like Canada, with vast areas yet to be opened and exploited, may hold the key to world prosperity for years to come, because great prosperity can now come to areas that used to be too out-of-the-way to be valuable. The reclamation of these areas means that the production of food products and processed material can be stepped up —and production is the keystone of the free enterprise system as well as the source of the strength of the Western World. The contributions of technology to prosperity—and to our security—cannot be overestimated. A most promising start has been made even in the direct conversion of sunshine into electric energy. In test installations the conversion of as much as 6% of the sun's energy has been accomplished, yielding 50 watts of energy per square yard of sun space.

Now we come to the third and perhaps the key component of prosperity—the confidence of the buying public, its willingness to consume goods, and the continuous lifting of its wants.

People can think and worry and talk their way out of prosperity regardless of the wisdom with which fiscal and monetary management is handled, or scientific advances are developed and used. **Confidence is a major ingredient of prosperity.** We have largely solved the problems of production. It is in the field of distribution and consumption of products where the problems are unmastered — and this is the area in which you men operate. It is the advertiser's job to put the same creative thinking against the problems of distribution and consumption as engineers have put against production. The job to be done, however, is far more complicated, because not only mechanics are involved, but a large measure of psychology. These problems cannot be solved on paper, nor once and for all: they must be attacked in the field—among people who are continuously subjected to diversionary influences — and they must be solved day after day. Unlike production problems, consumption problems are fluid, are not easily anticipated, and do not stay put.

Our entire economy is founded upon confidence. When people have confidence, they work better, earn more, and spend more. When business has confidence, there are investments in capital equipment, improvements in products and higher production. When distributors and dealers have confidence, they stock up, promote enthusiastically, and increase sales. All this distributes and consumes goods at a high rate. As long as this sequence of events continues, prosperity is well based.

But, let any one of the elements in this chain reverse its field, and trouble comes all along the line. Let the consumer become uncertain and fearful — and timidity spreads to the dealer, distributor and the producer. Or, let the producer become uncertain, and fear spreads the other way even faster.

The importance of confidence becomes crystal clear when you realize that possibly half of everything people buy—half our total national production — consists of things people can manage to do without if pressed, or can postpone buying for a considerable length of time. This means that the difference between a boom and a recession hangs by the slender thread of the consumer's willingness to buy freely instead of to hoard—to go forward rather than retrench. It means that increased prosperity depends upon people increasing the ratio of their wants to their actual needs. It means, stripped to its essentials, that the key to increased prosperity is in your hands: your ability to create wants will determine consumption and production levels. This is true in any country with high production and a high standard of living, such as the United States and Canada. Countries with low standards of living cannot have depressions. They are always at the bottom, and bad times there simply mean starvation instead of hunger.

No Population of Spendthrifts Proposed

I am not suggesting that a prosperous future is dependent upon our creating a population of spendthrifts: intelligent saving is important—let us not misunderstand that. It is a necessary ingredient of confidence — that is one of the contributions life insurance makes to the economy: if a man can be sure his family will have a measure of security when he is gone, he is likely to be a far more enthusiastic consumer while he is still here. He is likely to cultivate his wants—to buy that new car, that new matched set of golf clubs, to invest in new furniture, to add to the house—all of which consumes products, maintains production and makes for prosperity.

This confidence, which is so essential to distribution and consumption, is not simply a state of mind which drifts in over the transom; it is not something we must keep our fingers crossed and hope for. It is a salable commodity. Selling it should be considered part of every business; confidence should be actively cultivated by all executives and sold by all salesmen. It should be an ingredient in all advertising. We should all remember that whether the prospect buys our product or not is less important, in the long run, than whether he buys **something** — because when he stops buying, everyone—including the consumer himself — suffers. The objective of these basic sales campaigns should be to continuously lift the level of wants of the people generally. Only by such a lifting can the increasing products of an accelerating production machine be consumed.

This is a fact which enlightened free enterprise is coming to see with increasing clarity. Among our national leaders in business, there is less tendency these days to retreat at the first sign of caution on the part of consumers. There is no rush to curtail advertising and promotional expenses. There is less slacking off of sales effort. There is less chance of top management decision to retrench and wait for evidence of a better consumer state of mind. All these things were accepted corporate practice until recently—and they simply served to worsen the situation.

It is gratifying to note that the recent threats of recession in the United States brought prompt and constructive action on the part of the producers of consumer goods —very substantial increases in advertising budgets, additional sales efforts, price reduction, and virtually everything calculated to spur consumption. This quick action has doubtlessly been a factor in averting the period of trouble into which we seemed to be heading a few months ago — and we were heading into it largely because we were letting confidence slip away. We were interpreting the signs with more fear than judgment. We were looking at the decreasing activity as recession, rather than as a tapering off from what was actually one of the greatest boom years of our history. We were going from a great boom year into a good boom year and that is nothing to get alarmed about.

A case in point is a recent Federal Reserve Survey which revealed that people, as of that moment, had scaled down their intended purchases during 1954—they didn't expect to buy as much in the way of homes, automobiles and appliances, for example, as they had hoped, or as much as they bought in 1953. On the face of it, this seems to be a discouraging fact. It has been spoken of — even in so-called "informed" circles—as a measure of the depth of our recession. Yet, the fact is that the expenditures of the people in 1954, as shown by that survey, are expected to be substantially greater than in 1952—a year that was almost as good as 1953. I personally think total consumer purchases in 1954 will exceed the 1953 figure.

Some Facts to Look at Squarely

You men here today are men of responsibility. You have an important part to play in maintaining confidence and in keeping the channels of distribution full. In the course of your daily work and contacts, you can do far more than you think to maintain public confidence. To do this, you must have confidence yourself. I am not asking for pollyanna talk. I sincerely believe that if you look at all the evidence you will have confidence. You need only to look at the facts squarely.

First: In the area of fiscal and monetary management, I think there is no question but that the United States—the prosperity of which I believe helps toward the maintenance of your prosperity—is in a far better situation now than for several years past. I say this even though I think unwise and disapprove heartily of a lot that has been and is being done in the monetary field under the present Adminstration. Nevertheless, the present Administration has already given encouraging evidence that it will not be pressured into partisan and political use of its fiscal and monetary powers. With the cooperation and support of sound business and financial people, there is a better-than-even chance that government will get on a sound basis and stay there.

Second: I have merely touched upon the great promise held by scientific and technological advances. These are coming—coming fast — and are being readily adopted. They can mean more to Canada than to any other country of the world, because no other country has the rare combination of vast unexploited resources and proved business sense. In established industries, these advances are stepping up production, improving quality, and offsetting increased costs of labor and materials. They are creating whole new horizons, and are holding out great hope for the future. The tremendous emphasis upon research and the extremely large amounts expended in it by almost all businesses, make it quite clear that progress in Canada and the United States in this area will accelerate rather than otherwise.

Third: There is no sound basis for diminished confidence. Although we cannot expect to be continuously and without interruption on the crest of the economic wave, there are no real signs that either the United States or Canada is going to slip off that crest into a deep trough. The only thing that can bring it about is consumer timidity, and that is something we can prevent by increasing our own efforts.

In all this, I think there is one thing we should all remember: an economy like yours and ours is built upon the capacity to make people want a better, fuller life.

The people do not change. If we let them, they can become timid and afraid—and if that happens, the recession that could follow would be partially our fault because we, as advertisers, must shoulder more responsibility for the people's state of mind than almost anyone else.

Rockford Security Dealers Elect

ROCKFORD, Ill. — The Rockford Security Dealers Association have elected officers for 1954-55: Boyd J. Easton, President, Robert G. Lewis (Robert G. Lewis & Company), Vice-President, S. A. Sandeen, (S. A. Sandeen & Co.) Secretary-Treasurer.

The Association also voted to again sponsor the annual Fling-Ding for the Security Dealers of the State of Illinois at the Forest Hills Country Club, date and particulars to be announced later.

Fenner-Streitman & Co. Formed in N. Y. City

Lynne B. Fenner and John W. Strietman have formed Fenner-Streitman & Co. with offices at 37 Wall Street, New York City, to engage in a securities business. Mr. Fenner in the past was Manager of the investment department for Greenfield, Lax & Co., Inc.

Cut in Member Bank Reserves Announced

Federal Reserve Board, within next six weeks, to lower reserve requirements which will release more than $1.5 billion cash for credit expansion.

The Board of Governors on June 21 announced a reduction in the reserves required to be maintained by member banks of the Federal Reserve System. The reduction will become effective on a gradual basis over the next six weeks.

The action will release from reserves more than $1.5 billion, which will then be available to the 6,700 member banks for expanding loans and investments as the economy enters a season of rising credit needs.

Each member bank is required to maintain in the Reserve Bank of its district an amount of reserve funds equal to a specified percentage of the demand deposits (checking accounts) and time deposits (savings accounts) outstanding on the member bank's books.

When the reductions have been completed on Aug. 1, the percentages applicable will have been lowered as follows:

On net demand deposits—for central reserve city banks, from 22% to 20%; for reserve city banks, from 19% to 18%; for country banks, from 13% to 12%. The amount of reserves that will be released is estimated at $1,180,000,000.

On time deposits—for all member banks, from 6% to 5%. The amount of reserves to be released is estimated at $375,000,000.

The reductions will become effective according to the following schedule:

On Net Demand Deposits—

Effective	For	Percentage
June 24	Central Reserve City Banks	From 22% to 21%
July 29	Central Reserve City Banks	From 21% to 20%
July 29	Reserve City Banks	From 19% to 18%
Aug. 1	Country Banks	From 13% to 12%

On Time Deposits—

Effective	For	Percentage
*June 16	Country Banks	From 6% to 5%
June 24	Central Reserve and Reserve City Banks	From 6% to 5%

*Retroactive, so as to apply to the average balance in each country bank's account with its Reserve Bank for the period June 16 through June 30.

This action was taken in conformity with the Federal Reserve System's policy of making available the reserve funds required for the essential needs of the economy and of facilitating economic growth. The reduction will release a total of approximately $1,555,000,000 of reserves. It was made in anticipation of estimated demands on bank reserves during the summer and fall, taking account of probable private financing requirements, including the marketing of crops and replenishment of retail stocks in advance of the Fall and Christmas sale seasons, as well as the Treasury's financing needs.

The Board is authorized by law to fix reserve requirements within the following limits: on net demand deposits, for central reserve city banks, 13% to 26%; for reserve city banks, 10% to 20%; for country banks, 7% to 14%; on time deposits, for all member banks, 3% to 6%.

The last previous reduction in reserve requirements was announced on June 24, 1953. Changes in reserve requirements supply or withdraw relatively large amounts of bank reserves, even when effected on a gradual basis, as in the present action. Accordingly, such changes are comparatively infrequent. For more flexible and frequent adjustments to the credit needs of the economy the System relies chiefly upon open market operations to release or absorb reserve funds.

Continued from first page

As We See It

ignored or scorned for so long that it way well be asking for better bread than can be made of wheat to demand their observance in full at this moment. It is nonetheless well worth while to remind ourselves of them repeatedly if the effort to bring our system of taxation to anything approaching rationality or justice is not to languish in utter futility.

We may be sure, for example, that wherever it is feasible—and sometimes, perhaps, where it is not—taxes will be made "progressive." The fact is that among very large elements in the population where the virus of socialism, or basic concepts closely akin to it, has permeated, this notion of progressivism is like unto law laid down in Holy Writ. Among these it constitutes a God-given method of taking from him who hath (or is able to get) and giving to him who hath not. There is, of course, no room for argument about this fact. This "merit" of progressive taxation is shouted from the house tops many times daily. It makes possible, so the theory goes, many of the so-called social benefits of the day. It is a convenient means of financing a vast mass of "socially desirable" folderol — often for the benefit of the politicians as much or more than for anyone else—without incurring the ill-will of the vast mass of voters.

Present System Indefensible

Yet whatever may be the popular idea on the subject, or whatever may be practical result of progressive taxation in general, the progressivism of many taxes such as we have with us today has hardly a thread of support in good sense or even a shaky basis in logic. Warrant for the extreme progressiveness of our individual income tax system is usually sought—when any attempt other than purely *ad hominem* argument is made—in the "ability to pay" or the "equality of sacrifice" principles so-called. Yet, only by a patent distortion of either of these basic ideas is it possible to defend such extremes as we have today. The fact is that if either of these principles are to be interpreted in such a way that they would support great extremes in the levying of taxes, the principles themselves at once become vulnerable to attack.

One of the very early and influential formulations of the "ability to pay" notion, and the closely allied idea of proportionality to privilege was, of course, that of Adam Smith. Here is what Smith said:

"The subject of every state ought to contribute towards the support of the government, as nearly as possible, in proportion to their respective abilities; that is, in proportion to the revenue which they respectively enjoy under the protection of the State."

Here, of course, is the very negation of progressivism. It merely says, for example, that a man with a half million income should be expected to pay 10 times as much tax as a man with $50,000 income. The fact is, as every one knows, the more prosperous man today pays many times more than 10 times the Federal income tax that the $50,000 man is called upon to pay. It is obvious also that the larger income may be earned with the aid of no more service from government than is received by the man with the lower income, or it may in one way or another depend upon special treatment by government. It is thus obvious that the system we now have can not be defended upon the ground of proportionality to privilege.

Equal Sacrifice?

Again, as soon as we begin to consider comparative sacrifice as a basis for the determination of taxes, we find that we have entered a domain of intangibles, imponderables and of social concepts widely differing among us all. To reduce the matter to the absurd, we might say that all men must have equality in the food they enjoy, the clothes they wear, the shelter they use, and all the rest of the list of consumption goods and services; but this is obviously too absurd a notion for serious consideration even among the most "socially minded." It would remove all, or virtually all, economic incentives and end modern economy as we now know it.

Progressive taxation we shall certainly have, whether it has logical foundations or is or is not really desirable, but there are degrees of progressiveness—and the ordinary man would do well to ponder most carefully if he, as well as all the rest of us, would not be better off with a lower rather than a higher degree of progressiveness in taxation in this country.

Another yardstick for measuring the merits of a new tax law is the second maxim of Adam Smith. It is probably not too technical for study by the nonexpert. It is that the taxpayer should be able to determine the exact amount of tax required of him, and do so with certainty and without undue expense. There are millions of us who can, each in his own affairs, test this new measure in this respect. It may take time, but when a basis for judgment is finally reached, the average man will have one element in a basis for approving or disapproving what is now being done. Another basic consideration also goes back as far as Adam Smith. It is the elementary requirement that a tax should interfere as little as possible with the efficient operation of business. It should not hamper unnecessarily any man in the earning of his living.

We earnestly hope that the new tax measure will be subject to tests such as these fully and repeatedly during the next few months and the next few years, and politicians be made quite aware of the results.

Continued from first page

How Are We Doing?

on the pessimistic side. My own version of the matter would be that I am not, in the well-known phrase from "South Pacific," "a cock-eyed optimist." I might even boast that I have a little banker blood in my veins or a bit of the prudent banker attitude in my analyses. I had rather be known as an economist who believes that the surest way to make a happy landing is to have a clear-eyed vision of all the difficulties that can be reasonably foreseen and perhaps a few more than are perceived by the scientific imagination—that is, developments that might emerge from underlying factors.

Five Question Marks

The American economy is a very large and infinitely varied affair and the economic process is highly complex. It is easy for any discussion of the business situation and prospects to go off in so many directions that it ends by getting nowhere. But I shall try to keep my remarks focused on only five major issues which seem to me crucial in judging the underlying situation, whatever the superficial impressions that it gives. These five issues center on the inventory problem, the consumer factor, construction figures, the trend of prices, and the interplay of government policy and private action. Of course, each of these themes is big enough for a book and much too big to cover in a 30-minute address. All I hope to do is to suggest a significant approach to each of these problems, hoping that these suggestions will "add up" to a little better way of interpreting the actual business news as it unfolds during the coming months.

Economic facts don't "speak for themselves." Government and other agencies give us statistics of various more or less accurately measured quantities. But what these figures seem to mean depends a good deal on who looks at them and from what angle. In part these differences arise from individual peculiarities of temperament, but in part also from differences of training and experience. This afternoon I am simply inviting you into my economic workshop to watch how I use my economic tools in analyzing the five questions that I listed as parts of our near-term business outlook. The inventory problem makes a good case to start with because many analysts — from President Eisenhower (in his Economic Report) on down—have explained that the so-called recession was only a normal inventory adjustment and would soon be over.

The Inventory Problem

There is general agreement that excessive inventories constituted one of the earliest and most conspicuous aspects of the mild recession of the last eight or ten months. The statistics show that business inventories were growing at a $6 billion rate during the first half of 1953. That is to say, the productivity of our industrial machine was outrunning the buying activity of the market at that rate. In recent months the productive machine has been throttled down to a rate about $5 billion *less* than the speed at which goods are being sold. The total inventory figure has dropped from $82 billion last September to $79.9 billion in May.

What is the meaning of this statistical fact? Various commentators have recently referred to it as "a big drop in business inventories in April," as "inventories reduced below justifiable levels," and to "rebuilding of inventories" this fall as the initiating force in an active recovery. It sounds impressive if one says that inventories were trimmed by over $2 billion (or by $2.387 billion) from last fall to this spring. But that sheds very little light on the question of whether liquidation has been satisfactorily completed or whether we are now in a position to resume the triumphant march of boom prosperity that was interrupted by the "stretch-out" of the military preparedness program and the "new look" of 1953.

Here I would call your attention to two points that seem to me pertinent in judging both the facts and the significance of the inventory situation.

(1) These are business inventories and do not include government holdings of farm products—that rose from about $3¼ billion last May to about $6¼ billion this May. Nor does the business inventory figure include so-called military stockpiles that rose to some three quarters of a billion during the year and, like the farm surplus, bids fair to rise still faster in the near future. The stated objective is $6.8 billion.

(2) Inventory liquidation means reduction in new orders, less employment, and smaller disposable incomes. Hence whether the quite moderate liquidation conducted in the last quarter of '53 and the two quarters of '54 will prove to be enough for the conditions of next fall and winter remains to be seen. If there is not a brisk pick-up in jobs, inventories may still be excessive.

The belief — or hope — is expressed in some quarters that rebuilding of inventories will be a stimulating factor in the second half of '54 and on into '55. This, obviously, rests on the assumption that inventories have been reduced to a subnormal level by such liquidation as has already taken place and that it will only be good business to restore them to a higher level before this year is out. There seems to me, however, to be a fundamental inconsistency in arguing that the recession we have been experiencing was due to the fact of excessive inventories and then to say that it will be cured by building them back to their previous level.

May I suggest that inventories, though not carried to speculative excess in 1952-53, were substantially expanded to meet boom conditions. These included such scarcity of supply in many important lines that extra inventory had to be carried by the manufacturer or merchant to guard against slow delivery or interrupted production schedules. There is some reason to believe that the process of liquidation recently has been toward a new (or revived) pattern of small inventories and easy replacements. Interrupting such a trend has been the slowing down of inventory liquidation as a result of the talk of further military involvement or as insurance against the threat of strikes, particularly in the steel industry.

This reversal could be viewed complacently as contributing to any lack of urgency in trimming inventories which might have carried the dumping of large stocks on the market with resultant price demoralization. But as these scares abate, with continued ease in the supply situation for materials and components, and with the general level of capacity and productivity still rising, it would seem much more likely that sound business management woud dictate completion of the liquidation process to a condition of lean inventories and hand-to-mouth buying.

The Consumer Angle

In some quarters, enlarged consumer demand is looked to with confidence as the source from which early recovery to the boom levels of last year will surely come. It is pointed out that American consumers today are in the strongest asset position that they have ever been in—with so-called liquid holdings of cash, bank deposits, and government securities of some $230 billion and corporate securities guessed at some $200 billion. An indeterminable part of this huge sum could promptly be turned loose in the market, to bring a quick termination of inventory worries, resumption of orders, restoration of employment, and assurance of continuing profits. Some commentators show a disposition to tag the private consumer with responsibility if we do not have that sort of prompt upturn. One businessman recently put it thus: "The difference between boom and a recession hangs by the slender thread of the consumer's willingness to buy freely instead of hoarding."

It is true that public savings, according to such statistics as are available (and pretty slippery figures they are) have shown the rather high level of 7.5 to 8% in recent years. It hit a $20 billion rate in the first quarter of 1954. But to characterize this as "hoarding" seems to me extreme because it contains so large a factor of provident saving, which has supported and will continue to support the market for consumer durables, for new dwellings and modernization, for education, and travel. The more these things come into the standard budget of the wage and salary worker, the larger the "float" of savings must be. Even that part of them that is technically liquid can hardly be counted on as something that could or should be drawn into the market for consumer goods as a means of curing a recession. At the same time, they do play a distinct and important defensive role as support under the market, preventing the shrinkage of volume or the collapse of prices of current consumption goods if unemployment should mount moder-

ately from present levels or be continued for a somewhat longer time. They would come in as a second line of reserves against depression as the support from unemployment benefit payments was progressively sapped.

More significant for our present purpose than the past savings which consumers have accumulated is the high level of their current incomes. Those who look to the private consumer not merely as the bulwark against recession but as the guarantor of early return to boom conditions point to the fact that "disposable personal income" has been maintained in 1954 as at the high level of 1953. But it is yet to be proved that the level of the first five months will be kept up for the whole 12. And even if it should be, that is not enough to meet the issue. With the brisk rate of growth of our country, total disposable income must rise by an amount between $5 and $10 billion each year to maintain market demand even at stable prices. But what this reliance on the consumer to underwrite high prosperity as our foreign aid program levels out or declines and as the "broad industrial base" is attained, would be that consumer demand would be large enough not merely to show this rate of normal growth but also to offset the decline in government and business spending. If the consumer is to give the economy a great boost this fall or next year, we should see disposable personal income not just at or near last year's high level but $15 or $20 billion higher. It was about $2 billion higher in the first quarter of this year.

Some of the enthusiasts argue that because Americans expect and demand a higher standard of living, this will provide expanding markets and full-employment jobs. On the housing side, they point out that many of the millions of new housing units built in recent years are "cracker-box construction" that already need to be replaced or that they have been outgrown by enlargement in the size of the families that first bought them. It is pointed out also that there are still millions of families that do not have modern laundry equipment, a television set, or a second car. All this is undoubtedly a part of the long-run dynamics of industrial America. But the rate at which this kind of demand can be converted into a business boom in the autumn of 1954 bumps into the nasty little question, "What are they going to use for money?" It must be remembered that we were not getting all of the product of our enlarging and improving plant into consumers' hands even in 1952 and 1953. We have already noted that this discrepancy gave us the inventory problem with which we are now struggling. As I testified before the Joint Economic Committee in February:

"The fact that an inventory problem made its appearance in 1953 indicates that productive capacity had begun to outrun purchasing power of consumers even at a time of very full employment, high wages, farm incomes only moderately down, and quite liberal dividends and proprietors' profits seems to me to indicate that the real trouble lies somewhat deeper than the statistical surface where inventories are counted."

Furthermore, in taking a practical measure of the market outlook for coming months we need to consider not merely the cash position of the consumer but also his psychological situation — not merely the money in his pocket, the hunger in his stomach, and the ambitious tastes of his family, but also the confidence or the fear that is in his heart. When overtime schedules are replaced by a short work week or repeated furloughs and when one sees his neighbor out of a job, there is a strong tendency to postpone new commitments while one makes sure he can keep up payments on what he has already signed up for. Last year's prosperity was aided by an increase of about $3.5 billion of consumer credit. Now repayments are running ahead of new commitments.

It is characteristic of a country as rich as ours and with as high standards of living that the average consumer has a lot of rather luxurious consumer durables over and above his spendings for current necessities. These are "postponables" and our consuming public is today loaded with them. It is important that aggressive salesmanship keep him replacing such items or buying additional ones as fast as his circumstances permit. It is important also that the employment and market policies of private business and the actions of government keep his spending money flowing as freely as possible and his propensity to consume up to the levels normal to our kind of enterprise economy. If consumers button up their pockets and decide they will wait till the storm blows over, they will be helping to bring on the very restriction of jobs and output that is most to be feared at this juncture.

As bankers it is your responsibility, I believe, to refrain in this situation from over-cautious policies that would nullify the willingness of consumers to spend as usual, and merchants and manufacturers to take calculated risks as usual. This is no easy and simple matter and its successful accomplishment depends on our practical understanding and conduct of a free market system and workable price and income relations.

But before tackling the price problem I will say just a word about the construction figures. They are an important part of the issue I have just been discussing because domestic housing is the biggest item in the "consumer durables" category and commercial facilities and industrial plant figure so largely in the total of business spending and government spending.

The Construction Figures

The construction industry has been giving a pretty glowing answer to the question: How are we doing in 1954? The latest figure of $3.1 billion for May set a new record for that month and puts the first five months of this year half a billion above the first five months of pre-recession '53. Isn't that a figure that really does "speak for itself" — and that in tones of reassurance as to the end of the dip and the imminence of an upturn? Personally I find it solid evidence of the backlog of demand our country still has for roads and schools and slum clearance. I find it less impressive as ground for thinking we are going to continue the same amount of industrial, commercial, and residential building through the next several years. As I see the curve of family formation taking a dip as the children of the depression thirties come to marriageable age; as I see the evidences of excess capacity in many industrial departments; as I note the progress in meeting the needs for commercial facilities in our new suburban areas, I cannot help thinking it is prudent to examine carefully the question of what is a sustainable rate of construction activity for our economy.

The familiar term "speculative builder" attests to the well-known fact that a period of highly gratifying building activity traditionally leads to a longer or shorter period of reduced activity while effective demand catches up with daring private enterprise. I see many reasons why a let-down in commercial, industrial, and domestic construction might be short and mild in the 1950's. But I suggest that it is a bit on the reckless side to assume that it will be entirely absent this time. Here again it would be foolhardly to try to dogmatize about an answer. The issue goes back to the fundamental issue of price, cost, and income relations.

Price Trends and Policies

It is a matter of common knowledge that all our principal indexes have shown remarkable stability, not only during the recent recessionary turn but back through '53 and even into '52. This is often pointed to as one of the greatest sources of reassurance or factors of strength as we look forward to the rest of this year and to next year. I would agree that the fact that prices did not rise wildly at the height of the boom period was a reassuring sign of stabilizing factors within the economy. That is to say, our enlarged productive capacity was then demonstrating its ability to supply the needs even of a hyperactive economy without creating price-boosting scarcities and speculative maneuvers. But is the continued stability of prices (with even a slight upward creep) an equally reassuring sign under present circumstances?

Technological progress and rising productivity should spell greater abundance, lower unit costs, price reductions, and ampler consumer satisfactions. In general this process works out through the flexible and natural processes of market competition. But today we have very large areas of administered prices, where the policy of the executive group can more or less supersede or modify the process of market competition. Here I refer to costs of materials and labor just as much as prices of finished products.

This then makes the test of the functioning of a free economy with which we are now coming to grips. It is common to hear businessmen say that there is a period of sharper competition ahead. But will they face and accept that competition so courageously and promptly as to make a market for the enlarging product within the absorptive power of current incomes and reasonable and self-liquidating credit extensions? The fact that prices have been fully maintained on the average, and market volumes have declined seems to me a cause of concern rather than an occasion for rejoicing.

In my book of economic analysis the pivotal issue for this year and next is what policies big business management and organized labor leadership will follow in this testing time. Will they, peacefully and voluntarily among themselves make terms of private trade that will enable management to offer enough jobs to keep the labor force employed, to have earnings large enough to keep up an adequate rate of internal investment, attract the public's savings, and justify ample credit extensions? If profits fail, it will not be possible to attract outside capital for industrial growth or to pay dividends on the worker's savings, his union's assets, or the reserves in his insurance company or pension fund. But the voluntary terms of trade between employer-producers and worker-consumers must also embrace such a schedule of prices for goods and rates for "utilities" and other services as will permit all would-be consumers to take the full-scale product of our great productive machine off the market within the purchasing power of their disposable incomes.

The two-pronged danger in the present situation is that management may rely too much on volume reduction to protect over-rigid formulas of profit margins and that labor may use its mass power to force cash wages up to protect the purchasing power of this week's pay envelop even when it impairs the employer's ability to give jobs or reduces the number of workers who have any pay envelop at all. This is the central challenge to collective bargaining in good faith and in good understanding of the fundamental nature of the economic process.

Government and Business

The last question that I want to examine with you is what part government is playing or will play in the steadying of our economy in the troubled waters through which it is now moving and in the partnership with business which will maintain the high production economy as we get through present adjustments. I daresay that many businessmen have found it rather comforting to have the President and other high functionaries of government say that there is not going to be a depression because they have the facilities, the know-how, and the determination with which to prevent it. It is unquestionably true that the Federal Government today does inevitably play a larger part in the affairs of the economy than it did a generation ago and that it has a better understanding of the economic statesmanship needed to discharge that role soundly as well as vigorously.

On the other hand, I have said on numerous occasions that the weapons against depression in the arsenal of government, though impressive, are still untried. There could be no greater mistake than to assume that the economy will be stabilized merely through Federal policy and action and that private business and labor executives need be concerned with nothing more than their own organizational housekeeping. The present Administration has stressed the point that it conceives its role primarily as creating favorable opportunities within which private business can operate securely and profitably. Its general approach to its fiscal role — that is, Federal spending and taxing—has, I think, been essentially sound, whatever minor flaws you or I might pick in it. Likewise I feel that in the area of monetary policy, which must be a Federal function, the Federal Reserve System has shown both a sound policy outlook and technical competence in furnishing the country with an elastic currency, progressively adjusted to the changing needs of business.

The one point that I want to make in this connection is that, in a country as technically progressive and as rich as ours, a larger part of the flow of national income will normally be channeled through the public Treasury, and this without any infringement on the principle of free economic enterprise. We have found in our practical experience that it is most conducive to prosperity and economic growth to organize many lines of productive activity through private companies, from the small proprietorship to the multi-billion dollar corporation. But we have also found that the level of consumer satisfactions that could be attained for our people is higher and is better timed and distributed if we organize them through public administration and channel their revenues and disbursements through the public treasury.

I think a single illustration will suffice to make this point. The automobile industry has, during the last 50 years, been an outstanding example of the dynamic of free competitive private enterprise. I trust that it will always remain so—as well as the steel industry, the electric industry, the fuel industry, the transportation industry, the agricultural industry, and so forth. But at the same time that the growing and consolidating private automobile companies were giving such dynamic leadership in moving into the automobile age, we found it expedient and indeed necessary to expand enormously the functions of government from the county to the Federal level. The private automotive industry needed their organizing function and their financial resources to provide a network of transcontinental expressways, intercity highways, and farm-to-market roads over which these private cars, trucks, and buses were to operate.

While we were reveling in the delight of a new system of personal transportation, the level of family housing was not keeping pace with modern technology and the rising productivity of our country. Here again public enterprise was called for. We cannot break down the rigidities of private ownership in obsolete housing and commercial facilities and do justice to private property rights at the same time that we are tapping the dynamic possibilities of modern home construction and furnishing unless the government plays a role comparably active to that which it did in its partnership with the automobile industry. Easy housing credit and subsidized slum-clearance are the methods that we are using. Unless government plays a responsible part in this program I think we shall be moving forward less rapidly than we might—not fast enough to keep our national resources fully in use. In fact we now are seeing a healthy rivalry between public and private projects for rebuilding our cities as is notably illustrated in the Golden Triangle development of Pittsburgh.

I shall not attempt to make a specific application of this line of analysis to the question: How are we doing in '54, except to point out that the spending of states and municipalities on roads, streets, and parking facilities, on schools, hospitals, and other community facilities, is one of the strongest props maintaining our economy at as high a level as it has been running while military expenditures are being drawn down.

There is an old saying that the really great and progressive nation is one whose citizens are ready to work, to save, and to tax themselves. If we assume that every dollar of Federal economy and lowered military expenditure is to be a dollar left in the consumer's pocket for personal expenditures, I think we shall not be doing so well in the next few years as we will if we make wise distribution between private personal spending and wise expenditure for vigorous expansion of those community facilities that are standard parts of our modern concept of living.

Joins Jamieson Staff

(Special to THE FINANCIAL CHRONICLE)

GLENDALE, Calif. — David Meherin has become connected with Jamieson & Company of San Francisco. He was formerly with First California Company, Inc.

J. Barth Adds To Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Marshall L. Turner has joined the staff of J. Barth & Co., 210 West Seventh Street.

Joins E. F. Hutton Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Robert Jesberg is now affiliated with E. F. Hutton & Company, 160 Montgomery Street.

White, Weld Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Ray H. Boland is now affiliated with White, Weld & Co., 111 Sutter Street.

Joins King Merritt Co.

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla. — Alan C. Whitford has become associated with King Merritt & Co., Inc., 478 First Avenue, North.

Mutual Funds

By ROBERT R. RICH

THE OVERALL volume of retail trade for 1954 should make a very satisfactory comparison with 1953, which was a record year, concludes an analysis of Retail Trade prepared by the Investment Management Department of Calvin Bullock.

The study was undertaken because of the growing body of opinion that the key to the length and depth of the current business contraction may be found in the statistics of retail trade.

"Some economists hold that government policies should be slanted toward increased consumption rather than toward greater incentives for production," the study stated. "At the risk of over-simplification, it might be suggested that production and consumption are two sides of the same coin. Consumption would soon falter and fail without the payrolls generated by a high level of production, and conversely, incentives for greater production will prove bootless without an attendant high rate of consumption.

"Currently retail trade has been absorbing about two-thirds of disposable income after taxes, a percentage somewhat higher than in pre-war time.

"The fortunes of retailers are dependent in large measure on the outcome of the never-ending struggle between the will to save and the desire to spend. In recent years there has been something of a trend away from the old fashioned virtue of thrift, and this trend has been accelerated by a relatively rapid extension of consumer indebtedness — 'buying on time.' In the first quarter of 1954 personal savings were about 13% ahead of the corresponding period last year. Furthermore, outstanding short and intermediate term consumer credit declined in each of the first three months of this year. These two trends—upward for savings and downward for debt — obviously carry potentially unfavorable implications for retail buying."

However, expenditures for services, although rising, are still below pre-war levels as a proportion of disposable income, the study disclosed. The principal items of services are housing, transportation, household utilities, medical care, and recreation. Until fairly recently rents have been under governmental control and have accordingly lagged well behind prices of other goods and services which go to make up the cost of living. Prices for railroad and municipal transportation have also lagged perceptibly in the postwar period.

"If there is any doubt that we are living in the automobile age," the study commented, "one has only to observe that almost one-fifth of all retail sales fall into the automotive subdivision. In the first four months of this year automotive sales have shown a decline of 7.6% as compared with the first four months of last year. But the retail dollars lost by the automotive group are being largely picked up by other types of retailers."

TOTAL NET assets of Investors Selective Fund, Inc., mutual fund affiliate managed by Investors Diversified Services, Inc., rose from $13,092,610, as of Nov. 30, 1953, to $17,306,923 as of May 31, 1954, an increase of $4,214,313 for the first half of the fund's fiscal year, the semi-annual report to shareholders revealed today.

Net asset value per share of the fund was approximately $10.19, as of May 31, an increase of about $0.45 per share over the six months, the report showed. During the first half of fiscal 1954, the fund maintained its 1953 first-half dividend rate of $0.19 per share.

As of May 31, 26.02% of assets were invested in bonds, with 10.38% in railroad bonds; and 68% in preferred stocks with about 33.60% in public utilities preferreds.

The report, stated Chairman Robert W. Purcell and President Harold K. Bradford, reflects the conservative nature of the fund's portfolio, in keeping with its investment objectives, which are "to provide its shareholders a reasonably stable quarterly income and to conserve the value of the investment."

PERSONAL PROGRESS

LUCILE GROVER has been elected to the position of Assistant Secretary of Stein Roe & Farnham Fund, it was announced by Harry H. Hagey, Jr., President.

THE PARKER Corporation, distributor of Incorporated Investors, announces the addition to its wholesale staff of Robert Mark Mara, for the past eight years associated with H. C. Wainwright & Co. of Boston. He is a graduate of Dartmouth, class of 1943, and a former Captain in the U. S. Marine Corps.

Mr. Mara will represent Incorporated Investors in New England and New York state, exclusive of New York City.

DONALD H. RANDELL, former Assistant Manager of the Investment Department of Home Insurance Company, has been elected Vice - President and Director of Research of Frank L. Valenta & Co., Inc., Managers of Natural Resources Fund, Inc., and Natural Resources of Canada Fund, Inc., two open-end mutual funds. At Home Insurance Company, Mr. Randell was primarily responsible for the company's investments in the oil, natural gas and mining industries.

Donald H. Randell

He was born in Newark, N. J., in 1909 and graduated from George Prep School in Bucks County, Pa., in 1928. Mr. Randell majored in economic geology at Princeton University, from which institution he was graduated in 1932. Four years later he graduated from the American Institute of Banking, where he majored in investments. He became associated with the United States Trust Company of New York, where he was employed as an oil analyst.

In 1940, he was called into military service as a captain of artillery, serving in the War Department under the then Assistant Secretary of War, the late Judge Robert P. Patterson. Mr. Randell served as Assistant to the Chief Tax Amortization section, which certified necessary defense expansion. In 1942, Mr. Randell was transferred to field duty with troops. He served with the 26th Infantry Division with Lt. General George Patton's Third Army through Europe.

On his discharge with the rank of Lt. Col., Mr. Randell joined the Investment Department of Home Insurance Co., where he has been primarily responsible for the company's investments in the oil, natural gas and mining industries.

From 1947 to 1950, he was Lt. Col. and Deputy Director of Intelligence on the staff of the late General Hugh Drum, Commander of the New York National Guard. He is presently Lt. Col. in the Reserve.

Mr. Randell lives at 611 Berkeley Avenue, Orange, N. J., with his wife, the former Patricia Crandon, daughter of Mr. and Mrs. Charles H. Crandon, Miami, Fla. Mr. Crandon is a well known Florida business man and former Dade County Commissioner. Mr. Randell has three children, Crandon H., Deborah Louise and Frederick W.

In 1948, Mr. Randell became associated with Samuel C. Nickle, a pioneer in the Calgary, Alberta, oil fields and assisted Mr. Nickle in the formation of Grid Oil Freehold Leases, Canadian Williston Minerals Ltd. and Anglo-American Exploration Ltd. He is a director of all three companies.

Baron G. Helbig Constructs "Charity, Income Benefits Plan"

The long-established investment firm of Baron G. Helbig & Co., 60 Broad Street, New York City, announced on June 21 a program for its clients, which would enable them to increase their current income after taxes while benefiting their favorite charities.

Baron G. Helbig

Known as "The Charity and Income Benefits Plan," this innovation in the investment field calls for the establishment of charitable trust funds whose income may be paid to the persons creating them with the principal eventually going to their favorite charitable, religious or educational institutions.

Baron G. Helbig, founder and head of the company is widely known in investment circles for his estate-planning and tax work. According to Mr. Helbig, the plan offers these major benefits to the donor of such a trust fund:

(1) It increases his income before, as well as after, taxes; (2) it provides a larger estate for his family after inheritance taxes; (3) it gives him the opportunity to make a substantial contribution to his favorite charity, church or institution of learning.

The Helbig plan was developed as a result of Mr. Helbig's years of experience in estate planning, trust and tax work. He has long been a student of the complex structure of income and inheritance taxes.

"One big problem we had to work out," Mr. Helbig said, "was how to relate the broad ramifications of the plan to the needs of the individual investor. There is no question in our minds that we have found the sound method. Our plan can be geared to fit virtually every income bracket. And it is flexible enough to apply to virtually every taxpayer."

From an estate point of view, those provisions of the Federal Income Tax laws relating to charitable contributions are among the least understood to American taxpayers, Mr. Helbig went on.

"Our plan," he added, "allows them to take full advantage of the deductions they are entitled to under these provisions."

The originator of The Helbig Plan has been in the investment field for nearly three decades and his firm, which maintains a branch office in Hudson, N. Y. has been in operation since 1931.

Joins A. G. Hageman Co.

(Special to THE FINANCIAL CHRONICLE)

PEORIA, Ill. — William A. Clarey has been added to the staff of Arthur G. Hageman & Co., Central National Bank Building.

W. D. Gradison Adds

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio — Elias Marks has become associated with W. D. Gradison & Co., Dixie Terminal Building, members of the New York and Cincinnati Stock Exchanges.

Joins L. A. Caunter Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Charles G. Blood has become affiliated with L. A. Caunter & Co., Park Building.

Vickers Offers U. S. Sulphur & Chemical Common Stock at $2

Vickers Brothers, New York City, today (June 24) is offering an issue of 380,000 shares of common stock of United States Sulphur & Chemical Corp. at $2 per share "as a speculation."

The corporation was organized in Nevada on Feb. 11, 1954 for the purpose of producing, refining, selling and exploring for crude sulphur. Its principal asset is a lease of approximately 7,000 acres known as the Cove Creek Sulphur Deposits, which lie in both Beaver and Millard Counties, Utah, near Cove Fort.

Bertram Kaufman Opens

DENVER, Colo.—Bertram Kaufman is engaging in a securities business from offices at 81 South Broadway.

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tracts. It is just another example of their far-sighted management. We want to keep our eye on such companies, since in later years cost-type business may become fixed price business on which a profit will be made.

However, the revenues so received are not included in the dollar figures given above for the size of the industry. To qualify for inclusion in those figures, the dollars must not only be atomic; there must also be the possibility of making a profit on them at the present time.

I have examined the parts of the program below more or less in their chronological order, proceeding from o.e-prospecting to mining, refining, and manufacture of bomb material.

Certain special materials are then considered together, though functionally two of them may be construed as alternates to uranium, whereas two are used in conjunction with uranium. Three other segments of the present industry are then considered successively, ending up with a discussion of two of the future applications of atomic energy.

The material on uranium is broken down geographically. A figure of at least $300 million on the size of the total uranium industry may be deducted as follows. The Commissioner of Mines for the State of Colorado has estimated the value of mining and milling of uranium for 1953 at $75 million for Colorado alone. This may be upped conservatively to $100 million by taking in other U. S. production (Utah, Arizona, etc.). It is known that Canadian and Belgian Congo production are each at least equal to U. S. (perhaps substantially in excess). South African production is increasing rapidly, but need not be estimated for our purposes. The additional $25 million is due to the other atomic metals—thorium, lithium, berryllium and zirconium.

Uranium—Domestic Prospecting

The domestic position of uranium is unique among mined metals, in that the U. S. Government price is guaranteed until 1962. This price unlike that of gold, may not be lowered and uranium is thus protected from such price vicissitudes, as were experienced recently by tin, lead and zinc. Any seller is confronted with an absolutely infinite demand, created for the very purpose it accomplishes — financial shelter for uranium mining. If atomic power does not arrive before 1962 it will not matter to the uranium miner. Selections from the AEC domestic price schedule are shown in Table II.

It should be noted in connection with the table that:

(1) Deposits on the Colorado Plateau average about .32% though small veinlets up to 93% have been verified.

(2) The mine development allowance must be spent for that purpose, if accepted.

(3) The Initial Production Bonus applies only to the first 10,000 lbs. of U-3 O-8 mined. This would be 5,000 tons of ore at .1%, only 50 tons at 10%.

(4) Haulage allowance of $0.06 per ton-mile is allowed for the first 100 miles transportation to a mill, but costs approximately cancel this item.

(5) An important additional element in this picture is the government commitment to buy all vanadium, up to 10 pounds of vanadium oxide for each pound of U-3 O-8, at $0.31 per lb.

(6) Ore grade percentages in both mining and milling are expressed in terms of the common oxide of uranium U-3 O-8, which is about 85% uranium.

Domestic production is derived principally from the Colorado Plateau, which consists of some 130,000 square miles surrounding the "four corners"—i. e. the junction of the States of Utah, Colorado, Arizona and New Mexico. The area is so arid that there is little vegetation to hide the layered sides of the innumerable canyons. The geologist is confronted on every side with the easily recognized sedimentary formations native to the area. Not so easily recognized, however, are the ones bearing uranium, for almost any of them **may**. Most of the uranium so far, however, has been found in two of the 20 odd topmost layers of sediment which, though broken and missing in many places, overlie most of the Colorado Plateau. The older of these two ore-bearing strata is the Shinarump formation (often classified as part of the Chinle) which was deposited during the Triassic period more than 160 million years ago. It was at this stage in geologic history that dinosaurs first made their appearance on the evolutionary ladder. Both the powdery, yellowish mineral called carnotite and the hard, blackish uraninite have been found in the Shinarump. Carnotite generally does not occur in such high grade concentrations as uraninite does, though even uraninte ore containing 1% U-3 O-8 or more has not been found except in small pockets. The other stratum, mentioned with great frequency by both the practical prospector and the professional geologist, is the Saltwash Sandstone member of the Morrison formation. This was deposited more recently (about 120 million years ago) during the Jurassic period during which the Sierra Nevada Mountains first were formed and birds made their appearance along with a few primitive mammals.

In addition to the ore-bearing horizons described above, which incidentally are believed to have become mineralized long after their host formations came into being, other beddings have proved important in certain localities. Among these are the Cretaceous (65-plus million years ago) sedimentary rocks of the Black Hills of South Dakota and the veins in igneous rocks in the Marysvale district, Utah, and the Boulder Batholith of Montana.

The formations described above are typically a few hundred feet thick. Since the layers have folded and faulted extensively, and been subjected to much erosion, exposed edges of the layers, called outcrops, abound. Most of the likely outcroppings have been prospected with a Geiger Counter or scintillometer. The latter, a more sensitive instrument, is superseding the Geiger Counter in professional prospecting though the Counter is still widely useful, particularly in actual mining operations. Airborne scintillometer surveys have been used extensively though they also depend on exposed ore.

The importance of outcroppings will be recognized when it is recalled that a mere foot of soil will generally prevent detection of radiation from even high grade ore. As the surveys of the canyon rim outcroppings have been practically completed, the AEC, the U. S. Geologic Survey, and private companies have done extensive drilling, to try and locate ore horizons. There are two types of drills—the wagon drill and the diamond drill. The wagon drill is used up to 200 feet and is basically a pneumatic hammer. The diamond drill is more expensive ($25,000 or more) and can go much deeper, though a 1,000 foot hole is considered a deep hole.

There are a number of companies which are nothing more than prospectors. In the last year at least a dozen new companies have floated their shares with the understanding that the money will be spent for exercising options and drilling the properties involved. If ore is discovered, the stocks stand to undergo many fold appreciation. Most of these stocks were floated at less than $0.25, several at $0.01. They could go to over a dollar if a strike is made. If no ore is found, the investor's equity will be entirely dissipated. Most of the investors in these stocks realize the high odds against their ever getting their money back, let alone multiplying it. However, at the present juncture in the market, they have done very well, for nearly every one of the penny stocks has doubled its price since issuance. Many original investors have sold half their purchase, thus getting their money back, the other half of the stock remaining as a no-cost gamble. A number of these penny stocks is listed in Table III.

A newcomer to the roster in Table III securities is Standard Uranium Corp. It will operate in an area contiguous to the fabulous $50 million Steen mines (see discussion below). For this enterprise, Steen has joined up with Frazer, formerly President of Kaiser-Frazer and now Chairman of the Board of Graham-Paige Corp. The public bought at $1.25 what the promoters and distributors bought at $0.01. This could still be a good deal if there is sufficient ore there and it's worth (after mining costs) more than $6.25 million (five million shares times $1.25 per share). Steen told me it was worth more and that he was advising his friends to buy. Atlas Corporation bought 385,000 shares at full public offering price of $1.25 per share.

Salt Lake City is seething with activity and shares are traded in by large, old, reputable firms as well as smaller firms who in some cases have not as yet earned any reputation. It is impossible to appraise these companies accurately. Appraisal in anything but the vaguest terms means drilling and it is for that the money is being sought. Grand Junction, Colorado, is likewise seething with uranium activity, but with less emphasis on securities and more on ore.

A bed to sleep in cannot be had, with or without reservations, in Moab, Utah, a town at the heart of one area of much recent activity. They are taken by permanent guests, i.e., prospectors, etc., who are staking claims wherever their fancy takes them in the nearby county.

It might be well to dispel one illusion I have bumped into from people not familiar with the status of lands out west. You cannot stake a claim on another person's property. Prospecting for minerals is mainly done on Federal lands, though state laws govern claim procedures. Vacant acreages for the four states of the Colorado Plateau are shown below:

	Acres (millions)	% of Total State
Colorado	7.8	11.7%
Arizona	12.5	17.2
New Mexico	13.6	17.5
Utah	24.3	46.1

Uranium—Domestic Mining

Some 600 mines on the Plateau are believed to be producing, but most of them are small with only two or three miners working them. According to an AEC official, speaking in January of 1954, only four deposits were known, as of three years ago which had produced, or had reserves, in excess of 100,000 tons of ore. Now at least 11 additional such deposits are known. Values of such deposits will naturally vary but a rough $3 million minimum price tag can be assigned to such deposits. Several of these have potential reserves **far** in excess of $3 million.

Companies which are publicly owned and which are active in mining or preparing to mine uranium are listed in Table IV.

Mining costs vary according to a number of factors, including the following: whether openface mining, inclined adits, or shafts are necessary; the depth of the ore beneath the surface; above all, the amount of unmineralized ore which must be removed to follow the typically flat "rolls" of ore. "Rolls," as they are called locally, might be anywhere from a few inches to several feet thick, several feet wide by any number of feet long. The thickness will frequently vary even in the same roll and pinch off only to reappear a few feet further on. However, mining costs can generally be expected to run from $8 to $28 per ton. It will be apparent from this how important ore grade is. Thus even at an $8 cost, 1% ore is unprofitable. Ore of .2% grade is usually worth mining, and above that figure, mining can be-

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Table II

Grade of Ore, % U-3 O-8	Base Price Per Ton	Grade Premium Per Ton	Mine Development Allowance Per Ton	Initial Production Bonus Per Ton	Price Before Haulage Allowance Per Ton
0.10%	$3.00	$0.00	$1.00	$3.00	$7.00
0.21	14.70	0.15	2.10	14.70	31.65
0.60	42.00	6.50	6.00	42.00	96.50
3.00	210.00	54.50	30.00	210.00	504.50
10.00	700.00	194.50	100.00	700.00	1,694.50

Table III

	Original Issuance Price	Bid —June 21, 1954—	Ask —June 21, 1954—
Aladdin Uranium Co.	$.01	$.12	$.14
Atomic Uranium Co.	.03	.05	.08
Consolidated Uranium	.15	.82	.85
Congo Uranium Co.	.02	.05	.08
Federal Uranium	.01	.28	.33
Great Basin	.01	.19	.22
Lisbon Uranium	.20	2⅞	3⅛
Mayflower Co.	.05	.06	.10
Standard Uranium Corp.	1.25	1 7/16	1⅝
Sun Uranium Co.	.02	.07	.09
Timco Co.	.01	.08⅞	.09⅛
U. S. Uranium	.06	.11	.15
Uranium Inc.	.06	.45	.55
Uranium Oil and Trading	.01	.10	.15
Uranium Corp. of America	.02	.07	.12

Table IV

	1953 Div.	1953 Earnings Per Share	Price —June 21, 1954—	Yield —June 21, 1954—
Anaconda Copper Mining Co.	$3.00	*$3.52	$37	8.2%
Climax Molybdenum Corp.	2.00	3.81	49	4.1
Kerr-McGee Oil Industries, Inc.	.60	2.42	46	1.3
Homestake Mining Co.	2.00	.88	42	4.8
Vanadium Corp. of America	2.40	5.41	57	4.2

*Before depletion.

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come very profitable. Four 10-ton truckloads of .6% ore per day, not a very tremendous operation, might be expected to net $3,000 plus per day, or close to $1 million per year on a 6-day week.

Information on even the more important privately owned mines is not easily obtained. A list of some of the better-known strikes on the Colorado Plateau appears below. Most of these involve at least $1,000,000 gross worth of ore, a few many times that:

(1) **Mi Vida Mine**, about 50 miles southeast of Moab, Utah, was discovered and is controlled by Charles A. Steen. It is operated under the name of **Utex Exploration Company** and is variously reported to be worth $25-$50 million, with the possibility of greater value as the ore body is more accurately delimited. Steen also controls Moab Drilling Company which is doing contract drilling in the area. The Mi Vida strike has been widely publicized only partly because Mr. Steen was literally hard up for groceries when his faith and judgment were vindicated. Ore has been averaging .51% U3O8 and $3 million worth of it is reported to have been removed during 1953.

(2) **Cal-Uranium Company** made a strike three miles to the northwest of the Steen strike, which rivals Steen's.

(3) W. T. Hudson **(Oklahoma Exploration Co.)** struck one mile to the northwest of the Cal-Uranium strike. Homestake Mining is reported to have bought up the claim for about $1 million down, some $10-$20 million to be paid out of ore.

(4) **Happy Jack Mine** is approximately 20 miles south of Steen's strike.

(5) Jackpile Mine of **Anaconda Copper** lies about midway between Grants, New Mexico and Albuquerque, New Mexico. Reports say that the company will use open-pit methods, involving the stripping of more than 100 feet of overlying rock.

(6) **Joe Dandy Area** has been drilled by the **U. S. Geologic Survey** and several hundred thousand tons of high-grade (perhaps .4%) ore have been blocked out. This area is about 12 miles west and slightly north of Naturita, Colorado.

(7) **Plateau Mining Company's** Yellow Circle claims contain about $1.3 million of drilled reserves. The property is about 11 miles southeast of Moab, Utah. The company is controlled by Vance Thornburg and his brother Garth. They also control the 7-mile property 10 miles north of Moab which has yielded sizable chunks of over 90% U3O8, one of which has been purchased by the Smithsonian Institution, Washington, D. C. Its general run is closer to .4%, however.

(8) **Vanadium Corporation of America** has at least two major properties, its Prospector and Freedom mines in the Marysvale district of Utah.

(9) **Climax** has its G1, G2 and Arrowhead mines in the Uravan district of Colorado.

(10) One operator by the name of **Skidmore** has a substantial property at Slick Rock, Colorado, which is operated under government lease.

(11) A prominent cosmetics manufacturer by the name of **Gitwicz** has a strike 10 miles south of Steen's Mi Vida mine (see No. 1 above).

(12) Promising ore bodies in **Wyoming** (off the Colorado Plateau) have been found by **Homestake Mining Co.** (near Carlile) and by **Kerr-McGee Oil Industries, Inc.** (in the southern part of the Powder River Basin).

Uranium—Domestic Mills

After the ore has been mined, by free enterprise, it must be put through mills, owned and operated by private companies (with one exception, as shown below). These mills must pay the government established minimum price for ore, discussed above, but the price at which they sell is a negotiated fixed price, i. e. the contracts are not cost-plus. This of course means that extra efficiency will lead to extra profit, which is not the case with a cost-type contract.

The operation consists of crushing and grinding the ore followed by a sulfuric acid leach and uranium precipitation. There are of course many variants, one of the chief ones being used when vanadium is present; this consists of a preliminary roast with common salt, before leaching, to form soluble sodium vanadate.

Domestic mills now in operation are listed below:

Anaconda Copper Mining Co.
Bluewater, N. M.
***Climax Uranium Co.**
Grand Junction, Colo.
†U. S. Vanadium Co.
Rifle, Colo.
†U. S. Vanadium Co.
Uravan, Colo.
Vanadium Corp. of America
Durango, Colo.
Vanadium Corp. of America
Naturita, Colo.
‡Vitro Uranium Co.
Salt Lake City, Utah
AEC Mill Operated by Galligher Co.
Monticello, Utah

*Subsidiary of Climax Molybdenum Corp.
†Subsidiary of Union Carbide & Carbon Corp.
‡Subsidiary of Vitro Corp. of America.

An additional mill under constrution:

Kerr-McGee Oil Industries, Inc.
Shiprock, N. M.

Additional plants planned.

Vanadium Corp. of America
Hite, Utah (to replace plant now closed down).
Charles A. Steen & Associates
Moab, Utah

Ore-buying stations at additional locations are as follows:

American Smelting & Refining Co.
Marysvale, Utah
American Smelting & Refining Co.
Edgemont, S. D.
U. S. Vanadium Co.
Thompsons, Utah

Earnings and yield figures on these companies are given in connection with their other activities, except for those shown in Table V. (American Smelting & Refining Co. and Vitro Corporation of America.)

In addition to uranium produced as a major product, it can be produced as an important by-product. A substantial industry exists in which phosphatic rock is mined, converted to triple superphosphate, an important fertilizer, via phosphoric acid. By adding additional steps to the process the very low concentration of uranium, in the rock as mined, may be removed as a by-product. Companies with plants embodying this process are given in Table VI.

There is a layer overlying the phosphate rock, known as the leached zone, which is normally thrown away as overburden waste during mining operations. Recovery of the somewhat higher concentrations of uranium present in this material is being investigated, since the amount of it is extensive. International Minerals & Chemicals Corp. is one of the principal research contractors.

Investigators are looking into another potential source of domestic uranium—the Chattanooga shales of southeastern United States. By extracting other components of the shale as well as the low grade uranium (about .01%) it is hoped these very large deposits may become an economical source.

Uranium—Canada

From an investor's point of view, Canadian securities are the most natural after our own. As in this country, there are many privately owned small mines; but quite a few also with publicly-held securities. The Canadian government generally does not prescribe the price of ore but rather the price of the concentrate after milling. However, the prices are fairly comparable after taking this into account. The Canadian government, like the U. S., has guaranteed the price till 1962. It buys through its crown company, Eldorado Mining & Refining Company, Ltd., and sells the bulk of the production to the United States AEC.

The most important Canadian deposit, outside the Eldorado mine itself (Great Bear Lake, North West Territory), is that in the Beaverlodge district (near Lake Athabaska, Northern Saskatchewan), belonging to Gunnar Mines, Ltd., formerly Gunnar Gold Mines, Ltd. Estimates of the worth of the ore body range up to $65 million or more. A processing plant is to be built in the vicinity. Exploration and development expenditures in the Athabaska district during 1953 amounted to more than $8 million. During 1953, widespread uranium deposits have been found in the Blind River district of Ontario, north of Lake Huron, and are now being developed.

A few figures on some of the better-known companies appear in Table VII.

Uranium—Africa

The famous Shinkolobwe mine of Katanga Copper Company in the Belgian Congo was at one time by far the most important source of uranium in the free world. It still continues as a major supplier, though it is now at least rivalled by the U. S. and Canada, and will be by South Africa.

Perhaps the most important large source of uranium developed in postwar years is in the Union of South Africa. The South African Government has announced plans for the construction of 14 plants for the treatment of tailings from 24 gold mines. Five plants are now in operation. Profits from uranium production, which already exceed expectations may eventually equal the profits from gold, according to an AEC spokesman.

Figures on companies referred to appear in Table VIII.

Uranium—Other Foreign

Australia has two areas of important uranium occurrence: The Radium Hill deposit in South Australia and the Rum Jungle deposit 68 miles south of Darwin in the Northern Territory. Concentrating plants at both locations are about completed. (See Table IV.)

Exploration is proceeding in many other areas of the world. Two mentioned by AEC spokesmen as important are the Rhodesian copper belt in Africa and areas in north-central Portugal.

Uranium Refining

After ore, domestic or foreign, has been milled, it is in the form of black oxide, over 50% U-3 O-8. Companies which refine the oxide perform an essentially chemical-metallurgical operation which culminates in metallic uranium. Companies involved in addition to Union Carbide at Oak Ridge (covered elsewhere), are listed in Table X.

Bomb Material Manufacture

From this point on the operation is indeed a government monopoly and the companies carrying out the work may be said to be earning no direct profit from their AEC cost-type contracts. However, they are amassing very large amounts of know-how, obtainable in no other way, and at no cost to themselves. Thousands of their employees are getting what amounts to post-graduate degrees in various phases of atomic technology. It is no accident that the companies who have consented to operate government plants, like duPont and GE, are among the market leaders. They recognize that they can in no other way insure themselves against obsolescence of their traditional business.

Greatly over-simplified, it may be said that metallic uranium may be employed in bombs in two ways. It may be put in a reactor to manufacture plutonium for bombs. Major production reactor installations of over a billion dollars each are at Augusta, Georgia (E. I. duPont) and Hanford, Wash. (GE).

On the other hand, the uranium may be combined with fluorine to form a gas which will permit separating out the fissionable uranium which exists to the extent of only .7% in refined natural uranium. There are three billion-dollar gaseous separation installations. The completed plant at Oak Ridge, Tenn., and the partially completed plant at Paducah, Ky., are operated by Union Carbide and Carbon Corp. Construction is now under way for the third one at Portsmouth, Ohio, which will be operated by Goodyear Tire & Rubber.

Actual bomb component manufacture and assembly is so shrouded in secrecy that investment judgment is more difficult in this field. Four of the companies known to be in the business are: American Telephone & Telegraph (Sandia Corp. subsidiary); Bendix Aviation; Dow Chemical; Monsanto Chemical and Procter & Gamble Co. (See Table XI).

Thorium, Lithium, Zirconium, Beryllium

There are four mined metals in addition to uranium which are particularly important to atomic energy, though in very different ways.

Thorium is the only material known, except for uranium, which, though not itself fissionable, can be converted to fissionable material. This is done by placing it in an atomic "breeder" reactor. 99.3% of the world's uranium is likewise not fissionable until thus "bred." For both materials, .7% of natural uranium (U-235) is the material from which the breeding process must start.

Thorium's future is still in doubt, as it is not yet technically competitive with uranium. On the other hand it is even more plentiful in the earth's crust. Its economic importance could alter very substantialy as technology advances, or if new low cost deposits of thorium are found. Lindsay Chemical Company, the principal producer, has recently com-

Table V

	1953 Div.	1953 Earnings Per Share	Price —June 21, 1954—	Yield —June 21, 1954—
American Smelting & Refining	$2.50	$2.87	$37	6.8%
Vitro Corp. of America	Nil	.09	15¼	Nil

Table VI

	1953 Div.	1953 Earnings Per Share	Price —June 21, 1954—	Yield —June 21, 1954—
Blockson Chemical Co., Joliet, Ill.	$1.20	$2.01	$34	3.5%
International Minerals & Chemicals Corp., Mulberry, Florida	1.60	2.87	32	5.0
Texas City Chemicals, Inc., Texas City, Texas	NA	NA	3½	NA
Virginia-Carolina Chemical Corp., Mulberry, Florida	Nil	5.12	24	Nil

Table VII

	Price June 21, 1954 (In U.S. $)	No. Shares Outstanding
Algom Uranium Mines, Ltd. (Ontario)	$5.32	2,500,000
Centre Lake Uranium Mines, Ltd. (Ontario)	1.04	1,800,000
Gunnar Mines, Ltd. (Saskatchewan)	9.50	3,300,000
Pronto Uranium Mines, Ltd. (Ontario)	4.32	2,400,000
Rix-Athabasca Uranium Mines, Ltd. (Saskatchewan)	1.24	3,500,000

Table VIII

	1953 Div.	Price —June 21, 1954—	Yield —June 21, 1954—
West Rand Consolidated Gold Mines, Ltd. (subsidiary of Rand Mines, Ltd.)	$.56	$7.44	7.5%
Blyvooruitzicht Gold Mines Co., Ltd.	.37	4.88	7.6
Daggafontein Mines, Ltd.	1.20	10.13	11.8
Stilfontein Gold Mining Company, Ltd.	NA	4.13	NA
Western Reefs Exploration and Development Co., Ltd.	.35	6.94	5.0

Table IX

	1953 Div.	1953 Earnings Per Share	Price —June 21, 1954—	Yield —June 21, 1954—
Consolidated Zinc Corp. (through Territory Enterprises Proprietary, Ltd.) Rum Jungle Radium Hill—Government controlled	$.42	NA	$4.94	8.5%

Table X

	1953 Div.	1953 Earnings Per Share	Price —June 21, 1954—	Yield —June 21, 1954—
Harshaw Chemical Co., Cleveland, Ohio (not operating at present)	$2.00	$3.60	$39	5.1%
Mallinckrodt Chemical Works, St. Louis, Mo., class A	.80	2.28	45	1.8
National Lead Co., Fernald, Ohio (Cost type contract)	1.75	2.54	48	3.6

Table XI

	1953 Div.	1953 Earnings Per Share	Price —June 21, 1954—	Yield —June 21, 1954—
American Telephone & Telegraph, Sandia, N.M.	$9.00	$11.32	$166	5.4%
Bendix Aviation, St. Louis, Mo.	3.00	8.20	79	3.8
Dow Chemical, Rocky Flats, Colo.	1.00*	1.58	40	2.5
E. I. du Pont, Augusta, Ga.	3.80	4.94	126	3.0
General Electric, Hanford, Wash.	1.33	1.92	44	3.0
Goodyear Tire & Rubber, Portsmouth, Ohio	3.00*	10.28	63	4.8
Monsanto Chemical Co.	2.50	4.90	90	2.8
Procter & Gamble Co., Amarillo, Texas	2.60	4.35	83	3.1
Union Carbide, Oak Ridge, Tenn.	2.50	3.55	83	3.0

*Plus stock.

pleted a new multi-million dollar plant. The stock has jumped from 66 in the middle of last year to 133 currently.

Lithium, third lightest of the elements, has long been of importance in connection with low-temperature greases and air-drying operations. New interest in it has arisen due to its use in the H-bomb, where it can be fused along with deuterium, heavy variant of hydrogen and tritium, the very heavy variant. Companies playing roles of importance are Lithium Corp. of America, Foote Mineral Co., and American Potash & Chemical Corp. The last-named has recently made arrangements for increasing its source of supply from substantial low-cost deposits in Southern Rhodesia, Africa.

Zirconium is generally conceded to be the best available structural material for nuclear reactors. This is due to its low tendency to absorb neutrons, the flying missiles without which fission cannot proceed. Carborundum Metals Co., a subsidiary of Carborundum Company, has a $10 million contract for zirconium production. Foote Mineral, mentioned above, once widely heralded as a zirconium stock, is no longer believed to be important in the field. (See Table XII.)

Beryllium, like zirconium, is a low neutron absorber, but its structural properties make it more likely to be useful as a reflector, surrounding a reactor and reducing escape of the all-important neutrons. An important company in the field is Beryllium Corp. Beryllium and zirconium were both, until recently, rare metals. The rapid decrease in their price is very likely to cause new uses to be uncovered.

Radioisotopes

For our purposes radioisotopes may be simply thought of as materials which give off rays—which are radioactive. The rays given off allow atoms to be identified and hence "traced" thus revealing to researchers the intricate mechanisms by which plants and animals operate. Further, the quantity of radiation emitted can be measured with an accuracy not approached by conventional chemical analysis. Research scientists in university, corporate, and government laboratories are using their new and powerful tools in the fields of agriculture, medicine, biology, etc. Harvard Economics Professor, Sumner Slichter, has calculated that total research expenditures in the U. S. were as shown below:

Year	$ Millions
1923	88
1933	168
1943	1,427
1953	3,841

Research is very big business indeed. But even more important quantity-wise than research is the use of radioactive materials in industry. Thickness gauges are commonplace in factories turning out sheeted products—paper, foil, plastic, and so on. The President of Republic Steel Corp. announced that his company has used radiocarbon in every special steel melt since 1948 because of the greater speed and accuracy thereby rendered possible.

Growth in the use of these materials is indicated below:

Year	No. of Shipments by the A.E.C.
1948	2,644
1949	4,370
1950	6,234
1951	7,825
1952	9,102
1953	*10,676

*December shipments estimated.

In a way this part of the industry is the reverse of the uranium part. The government here is the sole seller instead of the sole purchaser. However, the AEC supplies only raw elementary radioisotopes. Private enterprise packages and distributes the materials. More important, it combines them into compounds. Radiocarbon, for example, can be combined into all the same compounds as ordinary carbon—that is, the great range of organic compounds, of which there are literally millions. Companies engaged in processing of radioisotopes are given in Table XIII:

Radiation Instruments

Like uranium prospecting and the use of radioisotopes, both fields in which radiation instruments are used, the manufacture of the latter has grown rapidly according to AEC figures shown below:

Calendar Year	Gross Revenue $ Millions
1948	4.3
1949	6.0
1950	6.8
1951	14.2
1952	19:9
1953	(e) 25.0

(e) Estimated

This industry is entirely in private hands. Even instruments to be used in government sponsored reactors are bought commercially. Military atomic power now coming into being (see below) will require further rapid growth of the industry. Every atomic reactor, or uranium "burning" furnace requires large numbers of recording, controlling and measuring instruments. As the civilian power reactor industry evolves, a further massive increase in the use of radiation instruments will be superimposed upon the growing uses already in existence.

Smaller companies play an important role in radiation instruments. Nuclear Instrument & Chemical Co. and Tracerlab, Inc., covered above, are important in this field, as are the electrical giants, GE and Westinghouse, also covered elsewhere. Additional companies making instruments important to the atomic energy program are shown in Table XIV:

Atomic Power—Military

Military atomic power is now an accomplished fact. The launching of the world's first atomic submarine in January of this year, following extensive runs of the land-based version at Arco, Idaho, presages the conversion of the U. S. Navy's capital ships. Admiral Carney, top Naval Chief, stated, ". . . Naval supremacy will go to the first nation that converts from oil to atoms. . . ."

Two other atomic submarines are in the works, one building, one planned. The first submarine, already launched, is known as the STR and its reactor was built by Westinghouse Electric Corp. The one on the way at Groton, Conn., is known as the SIR and will be powered by General Electric. Its land-based counterpart is housed in the largest airtight steel sphere ever constructed and is located at West Milton, N. Y. The third submarine, the SAR, is also a GE project. The Electric Boat Division of General Dynamics Corp. was, is, or will be, the hull-builder in all three cases. The great advantages of the atomic submarine is its many-fold increase in range and the fact that it need not resurface to recharge its batteries as a conventional submarine must. The latter, in fact, can only operate for one hour at full speed on its batteries and then must recharge by Diesel operation at the surface.

Military atomic aircraft, though an admitted eventuality, must overcome difficult problems primarily connected with the heavy shielding which is necessary to protect personnel from lethal radiation.

Primary research and development work of a nuclear character is handled by General Electric's Gas Turbine Division (Aircraft Nuclear Propulsion Department) Evendale, Ohio; Union Carbide's Carbide and Carbon Chemicals Company (operator for the Oak Ridge National Laboratory) and United Aircraft's Pratt & Whitney Aircraft Division, East Hartford, Conn.

Figures on companies referred to above are given in Table XV, unless already given elsewhere.

Atomic Power—Commercial

Most people now realize that commercial atomic power, as presently visualized, is like the conventional electricity obtained from an ordinary coal-steam-turbine-generator system. The only substantial difference is that instead of burning coal in a furnace, uranium is "burned" (or fissioned) in an atomic reactor. Once the steam has been achieved, the turbo-generator and the distribution system are not changed.

Rough average figures for costs of generating conventional power are given below:

	Mills/KWH
Fuel Cost (coal)	3.5
Other operating cost	1.0
Cost of capital	3.0
Total	7.5

It is currently believed that the fuel cost of uranium can be brought lower than in the case of coal, as a result of the tremendously concentrated heat value of uranium (one pound of uranium equals 2,500,000 pounds of coal).

Transportation cost, a large element in the cost of coal, may be largely eliminated — uranium may be termined a "weightless" fuel. Such a fuel cost advantage in favor of uranium is met by a disadvantage when it comes to the cost of capital equipment, for reactors are currently estimated to run about $500 per kw. of capacity as compared with $150-$200 for coal-burning steam electric plants. It is in an effort to tie these figures down more accurately that the government has initiated and assigned to Westinghouse Electric Corporation a new project for the world's first *power* reactor.

All previous reactors were designed primarily, if not exclusively, to maximize bomb-material (plutonium) production or for research. Power has been produced incidentally from the Experimental Breeder Reactor (EBC) at Arco, Idaho, and the heat generated at the large plutonium-producing reactors at Hanford, Washington, will be used for space-heating purposes, according to a recent AEC announcement.

Rough outlines of the economic framework into which atomic power must fit may be drawn from the above figures. Even if fuel cost is reduced to zero, and capital cost be kept to the same cost as in the case of conventional equipment, cost of generating atomic power will still run 4.0 mills as compared with 7.5 mills, a reduction of 47%. Taking note of the fact that distribution cost will not be changed, the reduction of 3.5 mills per kwh. must be compared to the present *delivered* cost, which, for example, in the Boston area runs 12 mills to large industrial users and 30 mills to the residential user. The percentage reductions become 30% and 12%, respectively. And of course assumptions as to both zero fuel and equal capital cost are clearly too favorable.

Further appraising the impact of atomic power on our economy, we must face the fact that energy cost is only a minor cost of production in most industries. Hence, even if energy were completely free, the cost of most articles would not drop very substantially. The reason for stating the above is not to demonstrate the writer's pessimism, but to avoid the impression that many people have gotten that atomic power and the arrival of the millennium are one and the same, and that cheap power means the end of hard work. This is most certainly not the case in this country, although it may prove to be more nearly so in countries where electric power is not so cheap as it is here.

Professor Isard of Massachusetts Institute of Technology has presented the minor extent to which total costs may be lowered by cheaper power. But he also admits that there is an important unpredictable element not covered above. This is best revealed by a comparison with the gasoline engine when it was first introduced in the automobile. At that time, energy from gasoline was, and is today, more expensive than the same amount of energy from the steam engine. And yet the convenience of the internal combustion engine initiated development of the automotive industry, one of the great wonders of the 20th Century.

In addition, the investment implications are important even though atomic power cost is only a fractional mill below the average cost of coal power. This means that in many, many areas the margin will be greater than it is on the average. And of course the efficient production unit will prefer atomic power, no matter how slight the margin.

Gordon Dean, former AEC Chairman, has estimated that by 1962, 10% of the addition to the electric power industry will be atomic. Based on the best projections for the 1962 addition, this would amount to $300 million, 10% of $3 billion. Since the annual investment cannot go from nothing in 1961 to $300 million in 1962, it may be inferred that lesser annual amounts may be expected earlier than 1962. A portent of this was the AEC invitation for bids on the production of small "package" reactors, already designed, to be used in high power cost areas such as for our armed forces stationed in Greenland. It is to be noted that the $300 million figure does not include the cost of uranium refining which presumably by that time would be, as uranium mining is now, in private industry's hands. Legislation will of course be required to decrease government control over reactors and fissionable material. Bills to this end are now before the Congress.

There are currently seven groups totalling some 50 companies studying atomic power, at their own expense, but with the aid of the AEC. The list includes most of the large electric utility companies. Although theirs is a commendable and necessary attitude, it provides no justification for any special emphasis by the individual investor at this time. It will be noted that the figures above are analogous to the revenues of the electrical equipment companies rather than those of the utilities.

When the technology has advanced further, when less restrictive legislation as regards ownership of reactors and fissionable material is in effect, and when patent rights are obtainable, this picture will alter. Of the various companies engaged in studies, among the more active are Monsanto Chemical, American Gas & Electric, Dow Chemical, Detroit Edison and Commonwealth Edison of Chicago. Special interest in Duquesne Light Co. arises from selection of that company to operate the world's first atomic power plant, referred to above. Duquesne will finance and build the non-nuclear portions of this plant, buying steam heat from the government at a subsidized price competitive with that derived from coal. The power produced will then simply be supplementary to the rest of their power supply.

Fission Products

In addition to the materials which may be rendered radioactive by inserting them in a reactor, we also have the materials formed when uranium undergoes fission. These materials are strongly radioactive also and may be likened to the "ashes" of a conventional furnace.

Sterilization by means of high temperature is standard in the food and drug business. But sterilization by fission product radiation can proceed at normal temperatures, thus perhaps avoiding flavor degradation and loss of vitamins associated with high temperature. Researchers have found that the three-day shelf-life of fresh beef, kept at the meat counter temperature of 32° F., can be increased to 15 days. A great deal of further research will be necessary to ensure elimination of any effects harmful to humans.

Based on figures gathered by the Stanford Research Institute and in the October, 1953 issue of "Nucleonics" magazine, it appears that a very large market indeed exists for fission products if other problems are solved and if the price can be made low enough. For example if fission product cost could be brought down to $0.01 per curie, the value of fission products which would be required to sterilize all the milk, meat and vegetables produced annually in this country would amount to over $500 million. This is not an annual cost, for the fission products would be amortized over a period of perhaps 25 years.

Radiation can also promote certain chemical reactions such as oxidation, chlorination and polymerization. Polymerization, for example, is the process by which

Table XII

	1953 Div.	1953 Earnings Per Share	Price —June 21, 1954—	Yield
American Potash & Chemical Corp., class B	$2.00	$4.00	$46	4.3%
Beryllium Corp.	6%*	1.26	28	---
Carborundum Co.	1.75	3.69	35	5.0
Foote Mineral Co.	4½%*	1.02	89	---
Lindsay Chemical Co.	3.10	5.09	135	2.3

*Stock.

Table XIII

	1953 Div.	1953 Earnings Per Share	Price —June 21, 1954—	Yield
Abbott Laboratories Inc.	$1.80	$2.35	$45	4.0%
Nuclear Instrument & Chemical Corp.	Nil	.09*	5¾	Nil
Tracerlab, Inc.	Nil	.32	12⅝	Nil

*Deficit.

Table XIV

	1953 Div.	1953 Earnings Per Share	Price —June 21, 1954—	Yield
Atomic Instrument Co.	Nil	$.17	$7⅞	Nil
Beckman Instruments	Nil	.70	21	Nil
Consolidated Engineering Corp.	$.40	.61	17⅛	2.3%
Victoreen Instrument Co.	*2%	.07	6⅝	---

*Stock.

Table XV

	1953 Div.	1953 Earnings Per Share	Price —June 21, 1954—	Yield
General Dynamics Corps.	$3.00	$7.01	$52	5.8%
United Aircraft Corps.	1.50	3.12	63	2.4
Westinghouse Electric Corp.	2.00	4.53	71	2.8

Continued on page 38

Continued from page 37

Investment Status of Atomic Energy

nylon is formed into long-chain molecules with the tensile strength necessary for stocking yarn. Promotion of such reactions may take the form of reaction with higher yields, in shorter times, or at lower temperature. As in the case of food sterilization, further experimentation must precede any commercial application.

Specialized Equipment

In our definition of atomic energy we indicated that though cost-type contractors should receive close attention, and many of them have been mentioned as operators of major AEC installations, we would not include their revenues in the size of the industry given as a dollar value. The business of supplying the AEC with specialized equipment can be tested by the same two criteria: first, is it atomic? and second, can a profit be made on it?

Out of a representative group of AEC contracts totaling approximately $419 million, some $267 million were for items like lumber, concrete, motor vehicles, etc. for which atomic energy carriers few investment implications. The remaining $152 million or 36% was in mechanical engineering equipment, electrical engineering equipment, and electronic equipment, for which atomic energy has important implications. The above figures were as of a period ending nearly three years ago and were not for an annual period. As a rough guide we can apply them to the latest annual expenditure for which figures have been released, i. e. for fiscal 1953:

	$ Millions
Construction	1,125
Operations—	
Source & Fissionable Materials	281
Weapons	236
Reactor Development	91
Physical Research	38
Biology & Medicine	75
	1,846
Community Operation	1
AEC Administration	34
Security Investigations	13
	1,894

We omit the items following Biology and Medicine because they were generally not subject to purchase contract. Thirty-six per cent of 1,846 equals $664 million. This figure must be further reduced because of the prevalence of cost-type contracts. The best available figures indicate that perhaps 39% of such money was spent via fixed price contract (at either the prime or subcontract level) so that we get a figure of $259 million. From the figure of $259 million we must subtract the amounts estimated for uranium, radioisotopes, and instruments so as to avoid including them twice. We end up with a figure of $107 million. This is extremely rough but many of the inaccuracies probably will compensate for each other to a large extent. Thus much of the electrical equipment, included above, is not sufficiently specialized to warrant inclusion. On the other hand, much of the stainless steel, not included above, probably should be.

Companies with important contracts, not covered elsewhere, are listed in table XVI, although in many cases they are probably working under a cost-type contract.

Table XVI

	1953 Div.	1953 Earnings Per Share	Price —June 21,	Yield 1954—
Allis-Chalmers Mfg. Co.	$4.00	$6.58	$57	7.0%
American Machine & Foundry	1.00*	2.41	25	4.0
Babcock & Wilcox Co.	2.00*	7.75	51	3.9
Blaw-Knox	1.20*	2.83	22	5.5
Carrier Corp.	1.85	4.19	55	3.4
Foster Wheeler Corp.	Nil	5.05	27	Nil
Grinnell Corp.	3.00	13.30	71	4.2
New York Shipbuilding Corp.	Nil	4.27	17¾	Nil

Construction Outlays to Reach New High in 1954

Joint estimate by the U. S. Departments of Commerce and Labor predict new construction outlays at $36 billion or 2% above 1953 level.

New construction expenditures are expected to reach a new record high of $36 billion in 1954, 2% above the 1953 record level of $35.3 billion, according to revised outlook estimates prepared jointly by the Building Materials and Construction Division of the U. S. Department of Commerce and the U. S. Department of Labor's Bureau of Labor Statistics.

The revised estimate is $2 billion higher than the $34 billion level projected for 1954 by these agencies last November. Present expectations of a 2% increase in 1954 construction activity over 1953 contrasts with a 2% decline anticipated by the Commerce and Labor Departments last November.

The more optimistic construction outlook at the present time results largely from a higher level of new home building so far this year than was expected last November. Most other types of civilian construction also are showing greater activity than previously anticipated, and are expected to reach record or near-record levels.

Current indications are that 1,080,000 new private nonfarm dwelling units will be started this year; it was anticipated earlier that there would be less than a million starts during 1954. On a seasonally-adjusted basis, private starts have been at an annual rate of well above 1,100,000 units for the first third of the year. The projected $10.7 billions of expenditures on privately-financed new dwelling unit construction represents a total slightly above that for 1953. Eased mortgage opportunities have been widely attributed to be one of the mainsprings of the 1954 strength in housing.

Outlays for new commercial structures of all types are expected to go over the $2 billion mark for the first time in 1954, reflecting the recent surge in office building construction and the continued increasing emphasis on shopping centers and stores in suburban areas. The largest percentage gain over 1953 is projected for social and recreational buildings, which will show a 1954 increase of 32%.

New all-time annual highs are also in prospect in 1954 for religious building—525 million, and for private educational building—$520 million. Utility construction generally will show only a small advance over the record 1953 activity to total $4.5 billion, with all utility types except railroad and local transit construction sharing in the gain.

Reflecting diverse trends in different categories of building, construction of new private manufacturing plants has been declining slowly since early 1954, following the rounding out of basic material plant expansion goals and most of the facilities being built under the tax amortization program approaching completion. However, 1954 expenditures for private industrial construction are not expected to decline much below the $2 billion level, or around 13% less than in 1953.

Outlays for new public construction will also set a new record in 1954, despite a quarter billion dollar decline in military construction, and smaller declines in conservation and development work, public housing, and hospital building. A continued expansion in the construction of new state and locally-owned projects will more than offset the reduced volume of Federal spending, with new construction records being posted in 1954 for school building, highway construction, and sewer and water facility work.

Midwest Exchange Appoints Committees

CHICAGO, Ill.—The Board of Governors of the Midwest Stock Exchange at its first meeting since the annual election approved the standing committees appointed by Reuben Thorson, Paine, Webber, Jackson & Curtis, Chairman, to serve for the ensuing year:

Executive

Walter E. Kistner, Chairman, A. C. Allyn & Co.; Harry A. Baum, Vice-Chairman, Wayne Hummer & Co.; Lyman Barr, Ralph W. Davis & Co.; Walter J. Buhler; Charles L. Grandin, Jr., Piper, Jaffray & Hopwood, Minneapolis; Daniel M. Hawkins, Hawkins & Co., Cleveland; August I. Jablonski; William E. Ferguson, Thomson & McKinnon; James M. Pigott, Central Republic Company.

Admissions

Myron F. Ratcliffe, Chairman, Bache & Co.; Henry W. Meers, Vice-Chairman, White, Weld & Co.; Hunter Breckenridge, McCourtney, Breckenridge & Co., St. Louis, Mo.; John J. Griffin; Herman J. Sheedy, McDonald & Co., Cleveland; William D. Kerr, Bacon, Whipple & Co.; David G. Skall, A. G. Becker & Co.

Floor Procedure

Irving E. Meyerhoff, Freebling, Meyerhoff & Co., Chairman; Robert F. Schenck, Jr., Vice-Chairman; W. Yost Fulton, Fulton, Reid & Co., Cleveland; Thomas S. Koehler; Robert A. Podesta, Cruttenden & Co.; G. Edward Slezak, Loewi & Co., Milwaukee; Alfred E. Turner, Ralph W. Davis & Co.; Joseph Gerdy, Webster, Marsh & Co.; Leonard Serakoff.

New Business and Public Relations

Irving C. Stein, Chairman; Fred S. Goth, Vice-Chairman, Irving J. Rice & Co., St. Paul; Frederic P. Barnes, Lamson Bros. & Co., Kansas City; Seymour E. Clonick; Gerald V. Hollins, Jr., Harris, Upham & Co.; Edward J. McKendrick, Johnson, McKendrick & Co., Minneapolis; Irving E. Meyerhoff; William C. Roney, Wm. C. Roney & Co., Detroit.

Finance

Harry A. Baum, Chairman; Lyman Barr, Vice-Chairman; A. V. L. Brokaw, G. H. Walker & Co., St. Louis; Walter J. Buhler; Arthur A. Christophel, Reinholdt & Gardner, St. Louis; William E. Ferguson; James M. Pigott.

Public Utility Securities

By OWEN ELY

Kentucky Utilities Company

Kentucky Utilities sells electricity to a population of about 550,000 in 74 counties of Kentucky and one adjoining county in Tennessee. This area, which comprises 10,000 square miles, includes most of the celebrated "Blue Grass" region in the central part of the state, and portions of the coal mining areas in southeastern and western Kentucky. While farming and bituminous coal mining are the principal industries only about 13% of revenues are derived from sale of power for coal mining. While the coal industry has not prospered, wage demands have forced mechanization with resulting increases in mine use of electricity. The raising of thoroughbred horses and cattle, plus the distilling industry, are also important segments of the economy. Miscellaneous industrial business contributes 9% of revenues, residential and rural 36%, commercial 22% and wholesale and miscellaneous 20%.

Kentucky is now enjoying a trend to industrialization, with manufacturers moving in to make efficient use of her central location, raw materials and large supply of productive labor. More than 190 new industries have located in the area since 1946, with a plant investment of over $49 million. During the past year 17 new industries located in the company's area and 11 existing industries expanded their operations.

The company brochure "Fast Facts About the New Kentucky" points out that Kentucky is growing at a much faster rate than the country as a whole in overall business volume; in a variety of industrial fields, in trade and in income per capita including farm income. The "Kentucky Plan" has made an important contribution to this development: a statewide industrial development committee works with local committees and personnel from various industries, and sub-committees cooperate in research, mapping and publicizing the state and its industrial locations, in attempting to interest manufacturers.

In the field of atomic energy, Kentucky Utilities is the only electric company in the United States to have a joint stake in both Electric Energy, Inc., and the Ohio Valley Electric Corporation, which are constructing huge generating plants to serve the AEC projects in Kentucky and Ohio. Industrialization along the Ohio River is developing new requirements for power, thus giving impetus to the coal mines. By the end of June construction is expected to begin on two new locks on the Green River which will permit the loading of Ohio River barges in the heart of Kentucky's strip coal mining territory. This should mean a contract from OVEC for some two million tons of coal annually.

Kentucky Utilities kw. sales have almost tripled in the postwar period and electric revenues have increased 135%—a remarkable showing for an area which is not generally regarded as a "growth" section. Within the past nine months 150,000 kw. generating units have been put in commercial operation at the Tyrone and Green River Generating Stations. Construction should soon get under way on a new 100,000 kw. unit, and similar units will be added as load growth warrants. During the period 1944-1947 the company had to buy about half or more of its power (in 1946 the amount rose to 73%) but with the rapid increase in efficient steam generating capacity only about 11% is now purchased.

In earlier years there was little reserve capacity and in the winter of 1950-51 peak loads had to be met by station overloading. Now, however, an adequate reserve seems to have been achieved. Generating efficiency has been greatly improved in the decade, with BTUs per kwh. reduced from nearly 24,000 in 1944 to slightly over 13,000 in 1953. Fuel costs per kwh. generated have dropped from 4.97 mills in 1947 to 2.61 mills in 1953.

During the past decade great progress has been made in building up residential and rural service. In the past decade kwh. sales for these services have increased from 908 to 2,087, and annual revenues per customer from $36.21 to $61.59.

Ten years ago the common stock equity was only 14% but this has now increased to 31%. As a result of the improvement in operating efficiency and in capital set-up, the balance available for common stock has improved sharply, the figure for 1953 being more than five times that of 1945. During this period share earnings increased from 31 cents to the most recent figure of $1.88 (12 months April) and the dividend rate increased from 24 cents to $1.12. (The rate was raised early this year from $1 to $1.12). Another increase appears unlikely until late this year or early in 1955. Equity financing on a 1-for-9 basis appears likely this fall, accompanied by a bond issue. This is expected to take care of new money requirements through 1956.

The stock sells over-the-counter around 22½, to yield about 5%.

Bond Club of Chicago Luncheon June 24

CHICAGO, Ill.—The Bond Club of Chicago is holding a luncheon today, Thursday June 24. The date had previously been given as July 24.

Kenneth G. Tiffany, Burroughs Corporation will address the group on "The Currency Problem in International Trade."

M. M. Gill Opens

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Ore. — Mark M. Gill is engaging in a securities business from offices at 341 Northeast Floral Place.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	June 27	§72.6	*72.3	71.2	96.8
Equivalent to—					
Steel ingots and castings (net tons)	June 27	§1,731,000	*1,725,000	1,698,000	2,183,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	June 11	6,495,400	6,466,350	6,428,250	6,477,450
Crude runs to stills—daily average (bbls.)	June 11	¶6,820,000	7,144,000	7,020,000	7,026,000
Gasoline output (bbls.)	June 11	22,934,000	24,160,000	24,050,000	23,669,000
Kerosene output (bbls.)	June 11	1,729,000	1,933,000	2,019,000	2,322,000
Distillate fuel oil output (bbls.)	June 11	9,792,000	9,825,000	8,953,000	9,830,000
Residual fuel oil output (bbls.)	June 11	8,455,000	8,128,000	8,136,000	8,605,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	June 11	171,303,000	173,704,000	175,750,000	149,288,000
Kerosene (bbls.) at	June 11	24,807,000	24,559,000	21,590,000	24,904,000
Distillate fuel oil (bbls.) at	June 11	77,495,000	74,757,000	65,531,000	79,185,000
Residual fuel oil (bbls.) at	June 11	48,530,000	46,502,000	44,996,000	43,595,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	June 12	697,583	612,315	677,581	797,252
Revenue freight received from connections (no. of cars)	June 12	585,620	543,399	589,402	654,263
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	June 17	$317,924,000	$325,516,000	$330,447,000	$249,728,000
Private construction	June 17	171,780,000	160,009,000	227,510,000	103,722,000
Public construction	June 17	146,144,000	165,507,000	102,937,000	146,006,000
State and municipal	June 17	111,001,000	124,153,000	80,483,000	112,336,000
Federal	June 17	35,143,000	41,354,000	22,454,000	33,670,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	June 12	7,560,000	6,450,000	7,100,000	9,231,000
Pennsylvania anthracite (tons)	June 12	551,000	469,000	418,000	677,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	June 12	111	97	97	112
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	June 19	8,850,0000	8,658,000	8,373,000	8,329,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	June 17	207	206	248	167
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	June 15	4.634c	4.634c	4.634c	4.632c
Pig iron (per gross ton)	June 15	$56.59	$56.59	$56.59	$55.26
Scrap steel (per gross ton)	June 15	$28.08	$28.25	$28.08	$40.50
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	June 16	29.700c	29.700c	29.700c	29.675c
Export refinery at	June 16	29.550c	29.700c	29.575c	29.750c
Straits tin (New York) at	June 16	93.500c	93.750c	94.500c	92.500c
Lead (New York) at	June 16	14.000c	14.250c	24.000c	13.500c
Lead (St. Louis) at	June 16	13.800c	14.050c	13.800c	13.300c
Zinc (East St. Louis) at	June 16	11.000c	11.000c	10.250c	11.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	June 22	100.12	99.70	99.34	91.86
Average corporate	June 22	110.34	110.34	110.52	101.80
Aaa	June 22	115.04	115.04	115.43	105.17
Aa	June 22	112.19	112.19	112.56	103.80
A	June 22	109.97	109.97	110.34	101.14
Baa	June 22	104.31	104.31	104.48	97.62
Railroad Group	June 22	108.88	108.88	109.42	99.84
Public Utilities Group	June 22	110.52	110.52	110.52	101.80
Industrials Group	June 22	111.44	111.25	112.00	104.14
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	June 22	2.49	2.52	2.54	3.10
Average corporate	June 22	3.15	3.15	3.14	3.64
Aaa	June 22	2.90	2.90	2.89	3.44
Aa	June 22	3.05	3.05	3.04	3.52
A	June 22	3.17	3.17	3.15	3.68
Baa	June 22	3.49	3.49	3.48	3.90
Railroad Group	June 22	3.23	3.23	3.21	3.76
Public Utilities Group	June 22	3.14	3.14	3.14	3.64
Industrials Group	June 22	3.09	3.10	3.08	3.50
MOODY'S COMMODITY INDEX	June 22	429.1	430.2	438.9	415.3
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	June 12	439,638	289,462	242,970	217,725
Production (tons)	June 12	256,496	223,307	252,436	254,689
Percentage of activity	June 12	95	81	92	98
Unfilled orders (tons) at end of period	June 12	408,682	427,655	417,905	560,897
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	June 18	106.95	106.76	108.13	106.11
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)†—					
Number of shares	June 5	723,761	958,824	1,038,600	752,560
Dollar value	June 5	$34,123,978	$43,646,639	$47,744,336	$34,213,688
Odd-lot purchases by dealers (customers' sales)†—					
Number of shares—Total sales	June 5	708,645	985,582	1,008,020	602,085
Customers' short sales	June 5	3,758	5,667	8,614	7,438
Customers' other sales	June 5	704,887	979,915	999,406	594,647
Dollar value	June 5	$30,587,060	$41,910,730	$45,373,149	$23,895,877
Round-lot sales by dealers—					
Number of shares—Total sales	June 5	204,010	325,430	308,420	184,090
Short sales	June 5	------	------	------	------
Other sales	June 5	204,010	325,430	308,420	184,090
Round-lot purchases by dealers—					
Number of shares	June 5	232,170	290,460	343,340	315,806
TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total Round-lot sales—					
Short sales	May 29	433,750	415,970	495,840	217,520
Other sales	May 29	10,700,330	11,291,000	12,071,290	6,325,350
Total sales	May 29	11,134,080	11,706,970	12,567,130	6,542,870
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	May 29	1,218,320	1,234,440	1,272,280	622,140
Short sales	May 29	260,670	246,080	245,820	96,610
Other sales	May 29	959,670	996,130	1,077,430	562,520
Total sales	May 29	1,220,340	1,242,210	1,323,250	659,130
Other transactions initiated on the floor—					
Total purchases	May 29	381,970	405,630	360,850	137,840
Short sales	May 29	26,500	19,400	31,000	10,900
Other sales	May 29	374,500	414,830	375,780	206,310
Total sales	May 29	401,000	434,230	406,780	217,210
Other transactions initiated off the floor—					
Total purchases	May 29	379,070	425,460	437,660	196,560
Short sales	May 29	47,740	57,780	55,050	41,040
Other sales	May 29	392,675	398,970	401,130	275,330
Total sales	May 29	440,415	456,750	456,180	316,370
Total round-lot transactions for account of members—					
Total purchases	May 28	1,979,860	2,065,530	2,070,790	956,540
Short sales	May 29	334,910	323,260	331,870	148,550
Other sales	May 29	1,726,845	1,809,930	1,854,340	1,044,160
Total sales	May 29	2,061,755	2,133,190	2,186,210	1,192,710
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	June 15	110.0	110.5	111.3	109.3
Farm products	June 15	94.7	96.5	100.7	95.5
Processed foods	June 15	104.8	105.8	107.6	103.2
Meats	June 15	92.9	96.4	101.9	91.8
All commodities other than farm and foods	June 15	114.4	114.4	114.4	113.5

*Revised figure. ¶Includes 679,000 barrels of foreign crude runs. §Based on new annual capacity of 124,330,410 tons as of Jan. 1, 1954, as against the Jan. 1, 1953 basis of 117,547,470 tons.
†Number of orders not reported since introduction of Monthly Investment Plan.

	Latest Month	Previous Month	Year Ago
BANKERS' DOLLAR ACCEPTANCES OUTSTANDING—FEDERAL RESERVE BANK OF NEW YORK—As of May 29:			
Imports	$276,821,000	$269,956,000	$198,454,000
Exports	143,195,000	141,713,000	110,769,000
Domestic shipments	16,810,000	13,240,000	10,940,000
Domestic warehouse credits	98,096,000	114,091,000	27,912,000
Dollar exchange	36,246,000	38,298,000	37,400,000
Based on goods stored and shipped between foreign countries	44,702,000	45,932,000	31,588,000
Total	$615,870,000	$623,230,000	$417,063,000
BUSINESS FAILURES—DUN & BRADSTREET, INC.—Month of May:			
Manufacturing number	200	200	143
Wholesale number	91	82	74
Retail number	460	535	344
Construction number	111	92	70
Commercial service number	81	66	66
Total number	943	975	697
Manufacturing liabilities	$15,621,000	$20,568,000	$13,981,000
Wholesale liabilities	4,499,000	4,574,000	5,852,000
Retail liabilities	11,739,000	12,030,000	6,909,000
Construction liabilities	3,674,000	3,692,000	2,511,000
Commercial service liabilities	2,961,000	1,648,000	3,536,000
Total liabilities	$38,494,000	$42,512,000	$32,789,000
COAL OUTPUT (BUREAU OF MINES)—Month of May:			
Bituminous coal and lignite (net tons)	29,000,000	28,050,000	37,350,000
Pennsylvania anthracite (net tons)	1,877,000	*1,958,000	2,783,000
COMMERCIAL PAPER OUTSTANDING—FEDERAL RESERVE BANK OF NEW YORK—			
As of May 31 (000's omitted)	$618,000	$672,000	$441,000
EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—REVISED SERIES—Month of March:			
All manufacturing (production workers)	12,813,000	*12,906,000	14,005,000
Durable goods	7,424,000	*7,520,000	8,333,000
Non-durable goods	5,389,000	*5,386,000	5,672,000
Employment Indexes (1947-49 Avge.=100)—			
All manufacturing	103.6	*104.3	113.2
Payroll Indexes (1947-49) Average=100)—			
All manufacturing	138.4	*140.5	153.8
Estimated number of employees in manufacturing industries—			
All manufacturing	16,220,000	*16,322,000	17,359,000
Durable goods	9,376,000	*9,480,000	10,265,000
Non-durable goods	6,844,000	*6,842,000	7,094,000
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE — U. S. DEPT. OF LABOR—Month of May:			
Weekly earnings—			
All manufacturing	$71.13	$70.20	$71.63
Durable goods	76.40	75.43	77.19
Non-durable goods	63.74	*62.70	63.20
Hours—			
All manufacturing	39.3	39.0	40.7
Durable goods	40.0	39.7	41.5
Non-durable goods	38.4	*38.0	39.5
Hourly earnings—			
All manufacturing	$1.81	$1.80	$1.76
Durable goods	1.91	1.90	1.86
Non-durable goods	1.66	1.65	1.60
GAS APPLIANCE MANUFACTURERS ASSOCIATION—Month of May:			
Automatic gas water heater shipments (units)	200,300	203,100	179,000
Domestic gas range shipments (units)	149,600	170,400	181,000
METAL OUTPUT (BUREAU OF MINES)—Month of April:			
Mine production of recoverable metals in the United States and Alaska:			
Gold (in fine ounces)	137,387	*149,317	163,723
Silver (in fine ounces)	3,253,049	*3,353,025	3,068,986
REAL ESTATE FINANCING IN NON-FARM AREAS OF U. S. — HOME LOAN BANK BOARD—Month of April (000's omitted):			
Savings and loan associations	$668,533	$666,335	$641,557
Insurance companies	130,353	123,583	127,215
Bank and trust companies	332,636	335,343	325,488
Mutual savings banks	112,049	102,773	102,028
Individuals	239,230	241,198	251,790
Miscellaneous lending institutions	310,190	314,287	260,545
Total	$1,792,991	$1,783,519	$1,708,623
SELECTED INCOME ITEMS OF U. S. CLASS I RYS. (Interstate Commerce Commission)—Month of March:			
Net railway operating income	$39,628,460	$44,417,883	$93,564,308
Other income	19,137,767	16,837,693	18,933,542
Total income	88,766,227	61,255,576	112,497,850
Miscellaneous deductions from income	3,592,068	3,419,100	4,117,178
Income available for fixed charges	85,174,159	57,836,476	108,380,672
Income after fixed charges	51,605,119	24,336,155	74,773,734
Other deductions	2,741,452	2,791,094	2,782,051
Net income	48,863,667	21,545,061	71,991,683
Depreciation (way & structure & equipment)	43,688,049	43,638,545	41,020,655
Federal income taxes	29,973,399	19,254,342	57,316,984
Dividend appropriations:			
On common stock	19,425,011	27,021,222	27,898,116
On preferred stock	5,294,224	19,522,440	4,508,164
Ratio of income to fixed charges	2.54	1.73	3.22
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of May:			
Net sales	------	$2,937,500	------
Net purchases	$2,761,200	------	$35,881,000
UNITED STATES EXPORTS AND IMPORTS BUREAU OF CENSUS — Month of April (000's omitted):			
Exports	*$1,420,900	*$1,123,000	$1,393,000
Imports	*957,200	*858,000	1,012,628

*Revised figure.

Continued from first page

Uncle Sam, Trust Officer!

more unique because of what society has grown to expect and demand from us. Men in the past, who have occupied these responsible, exacting posts, had a clear conception of their obligations to society and set high standards to their positions. History has repeatedly shown that a position may be glorified when occupied by historically-minded citizens.

It is because men of learning and of honor, possessed with a sense of responsibility and an appreciation of good citizenship, have always been identified with the banking profession, that the name "Banker" has won deep significance in the minds of our electorate. With such a heritage, it is clearly our problem and constitutes a challenge to determine to what extent we, too, can maintain high standards, and how we, too, may remain worthy of the deep trust reposed in us by those who are aware of the economic importance of our profession.

Through experience, people have learned to repose faith in the banking fraternity of America, and thus place their means, their wealth, and their accumulations into our hands for safekeeping and for productive and prudent investment.

Each and every member of our fraternity can make a contribution to that faith and confidence.

Bankers' Responsibility

How grave and how great, therefore, is our responsibility, individually and collectively! It is important that each of us should be an exemplar of integrity, unquestioned dependability, and learned in the economics of sound money.

We recall the turbulent days when Liberty in this new land was in the making; when the Washingtons, the Hamiltons, the Jeffersons, the Adamses, and the other giants of those days forged, upon the anvil of rich experience, this great instrument which we call Constitutional Government; how they, as keen realists, recognized the fundamentals of human relationship; how they refused to be carried away by high sounding aphorisms, or empty phraseology; how they recognized, and knew, why governments in rapid succession in the past had failed; why civilizations in tragic sequence have collapsed. They had seen the death struggles between the lust for power and the urge for liberty. They had seen how men, when once they acquire influence and power, frequently seek to perpetuate themselves in office at the expense of their subjects. They knew the questionable art of first purchasing the electorate with their own money, with the tragic follow-through of further debasing the currency to keep the electorate bought. As keen observers and students of history, they knew that practice to be a natural propensity among mortal men. They attempted, therefore, in this new government, a new experiment in human relations, to anticipate these tendencies, and as far as possible, to hold them in leash, and to direct them in constructive channels. They sought to provide helpful outlets to men's ambitions. They knew that restraints would have to be applied and that these restraints would have to be so specific that they could neither be misunderstood nor ignored — hence our written Constitution.

Their experience had also taught them that no government can exist unless that government is founded upon integrity, faith, trust, and stable money; that when evil and designing men reign, first having purchased the electorate, the people suffer, for that was the history of the past, with which these men were familiar. Theirs was an ambitious, an unprecedented venture. What they wrought was the result of their own observations; they set about to establish a government by the people, for the people, and of the people, to turn their backs upon the old deficit regime in which men ruled by force and might made right.

In those trying days, heated discussions revealed facts and exposed fiction. It was the immortal Washington, however, who sounded the timely word of warning, when he said, "If to please the people we offer what we ourselves disapprove, how can we afterwards defend our work?" He harbored no illusions; he demanded that the new government should be based upon reality; that the cornerstone of that reality should be a religious faith, confidence, trust, and stable money.

As stated, this government was founded upon trust. The first act of our Founding Fathers was to acknowledge the debts of the Colonies; to accept them as an obligation of the newly formed government. That act alone established immediate faith in the righteous intent and purpose of those who governed. It gave assurance that the word of the new Republic was to be as good as its bond; that there was no thought of repudiation, either directly, or indirectly by printing press money. As was declared by one of the spokesmen of that day, "The faith of America has been pledged to preserve confidence, sound credit and honest dollars." Those words are worth repeating and remembering.

It is upon that same foundation that we, too, have built our structure. In our capacity we are trust officers; we represent institutions that are creatures of that government that was established upon faith and confidence. We are the offspring, the children, of that government.

Government Regulations

Our government is our parent. As in every well regulated household, that parent has laid down for us the rules and regulations under which we may operate; it has prescribed the field in which we may function; it has specified the machinery that we may employ; at every turn it has set up warning signals that we must observe so that we may not betray our trust. These are all wise and sound provisions, which, when followed, must add not only to the welfare, security, and happiness of the beneficiaries of our system of operation, but also perpetuate us in the esteem and confidence of the great American public and the world.

But nothing is more powerful than example. It outweighs all the sermons, all the precepts, all the preachments that may be thundered at us about the virtues associated with public service. This holds good in the community, in the State, as well as in the family circle. As the parent, so the child. It is for that reason that the child has a right to look to its parent to serve as a model, a worthy exemplar, a guide in daily life.

The child of this government should walk in the paths of rectitude and right, to be worthy of confidence and trust. That child should turn its eyes to its parent, the government itself, and expect to find a worthy guide. It may not be amiss to look about us to discover to what extent this parent has preserved that original concept of its obligation to its own citizens and to the world. Perhaps an analysis and study of our situation may be fruitful and provocative of deep contemplation. It may also give rise to grave disquietude, and perhaps shake us out of that smug complacency which too often beclouds our vision.

Forces Threatening Our Freedoms

For the last 20 years and up until the last election, we have had little else but a demonstration of the application of forces which were determined to sweep away a free people and to take into their own hands the control of government and industry.

All this:

By a repudiation of constitutional guarantees in the operation of government;

By attempts to destroy the fine balance of power among the three constitutional departments of government;

By a bureaucracy in full flower, the like and extent and capacity for growth of which was beyond our capacity to believe.

By the destruction of the independence of state and local government through what amounts to outright purchase, through the extension of elaborate and unprecedented grants from a paternalistic central government;

By expenditures of government exceeding its true income annually by vast amounts, and this even though its true income represents an unfair diversion of the earnings of its people from other and more needed uses;

By a highly centralized control, a control daily growing more highly centralized, over the daily lives and activities of the people, a constant and growing interference with their ordinary concerns, restricting, impairing, and hindering their activities—and this all being done under the benevolent-sounding pretext of affording a "more abundant life";

By fear of reprisals, crushing the spirit of independence in our people;

By a steady confiscation of property through the staggering burdens of taxation, and through borrowing, which means deferred taxation;

By destroying private initiative to facilitate political manipulation and control;

By the ruthless and unnecessary abandonment of the gold standard which once acted as a warning mechanism and as a means of placing ultimate limits on political inclinations to use credit recklessly;

By abandoning the gold standard, monetization of the Federal debt was made possible and resorted to in large measure;

By the steady encroachment of political control upon managerial skill and experience in our financial system; and

By a questionable practice of seeking to maintain the market value of its own securities.

As we proceed to appraise our situation, may we not recall the words of Hamilton, as he described the purpose of government as "A contest for liberty and not for power."

As stated, we are subject to definite rules and regulations prescribed by this parent, our government. Is it not fair to apply to our parent, our government, some of the conditions and terms under which we, the children, are privileged to live and to have our being; the rules which we must honor; the rules which tell the extent and scope of our responsibilities.

The Trust Code Under Which We Function

For that purpose, let us extract from the Trust Code, under which we function, some of the fundamental and basic requirements, and apply them to the government itself.

One requirement is: *"All acts shall conform to sound principles."* If applied to our government, that will mean that whatever it does, shall contribute to the welfare, the security, the safety of its citizenship; that eternal, economic laws shall be observed; that no attempt shall be made to hold in abeyance, or to frustrate, the operations of these eternal laws; that, for instance, the law of supply and demand shall be respected, and be given consideration in the enactment of any and all legislation affecting our economic life; that the fruits of the toil and frugality of our citizens shall be safeguarded; that neither by direct nor indirect action shall the holdings of the people be made insecure or subject to confiscation; that thrift and honest endeavor shall be rewarded; that idleness and exploitation shall not be permitted to eat the bread of the toiler.

These are all sound principles that are not the invention of man, and cannot, with impunity, be destroyed by man. They will endure despite all attempts of political tricksters to frustrate or emasculate them — they are eternal.

And so, we submit the question: Has our parent, our government, conformed to these sound principles? What is its record for the past 20 years? Let our examination proceed.

Another provision of the Act under which we operate is: *"A cardinal principle of fidelity must obtain."* By fidelity on the part of men who aspire to public office, we, of course, mean fulfillment of their promises made to the constituency respecting their regard for public welfare once they become entrenched in positions of power, trust, and responsibility. Fidelity means adherance to the terms of the Constitution to which these men must swear allegiance. It means that neither by caprice nor by subterfuge will they attempt to destroy that fine balance of power set up under that instrument. It means they will not attempt to arrogate to themselves power or prerogatives that belong to other departments of government; it means that they will not be guilty of intrigue or collusion intended to weaken or nullify the power of other branches of government. That is what fidelity must mean in government.

But as we take stock of the past 20 years, and as we contemplate the inherited mess taken over by the new Administration, we hope our new trust officers will hold tenaciously to that concept of fidelity as interpreted by our Constitution; that the fine balance of power will be maintained in each department of the government; that each branch will respect the authority of the others of equal rank; that there will be no attempt to gain or seize control, or to concentrate into the hands of one man or one branch of government, the authority and prerogatives that were so wisely distributed under the provisions of the Constitution. Each one should be free in its own realm, and the purse strings should be held inviolate by the immediately elected representatives of the people. Let us never forget the spectacle before our eyes of the undisguised, ruthless attempt on the part of the Executive Branch of the Roosevelt Government to make innocuous the dignified, judicial branch of this same government. Remember of having lived in a day (which will prove to be historic in character) when men, clothed with the responsibility of directing the legislative branch of this government, finally rose up in their might and majesty against that attempted rape of the Constitution, against that bald and bold thrust at sacred precedent and principle — a protest couched in such classic phrase that in importance and significance, it may well be ranked with those that rang in the ears of our Fathers:

"And may this proposal be so overwhelmingly defeated, that such a proposition will never again be presented to the free representatives of a free people."

Who will say that that pregnant statement has not proven historic; that it was not uttered in a moment when our fate hung precariously upon the decision of those few men, men who realized that they would be guilty of a breach of trust, a betrayal of confidence, an outrage upon every fine feeling and sentiment engendered under our liberty-loving regime, were they to submit to this callous attack upon the intent and purpose of constitutional government? Ponder that not so long ago in the Truman Administration, the system of free enterprise was saved by the narrow margin of two votes of the Supreme Court Justices. I am referring to the United States Steel case.

In the light of such occurrences, which aroused the righteous indignation of a mighty people, need we ask the question: *Was this cardinal principle of fidelity held sacred by the parent?*

Here is another provision: *"Responsibility shall not be reposed in any one individual."* That is almost ironic in its implications. How well it, too, applies to that parent of whom we speak! *"Responsibility shall not be reposed in any one individual."* That was the towering thought in the minds of the Framers of the Constitution. No individual is so wise, so safe, so self-effacing as to be trusted alone and unaided with the grave responsibilities associated with the welfare of a great and growing nation, and there is no one who does not need to be limited and checked—if the people are to remain free.

With our own experiences as our warning, we must demand that no one in our government shall ever be able to hurl this "defy" at his peers: "I am the State."

It is also written for our guidance (referring to the Trust Code again) that: *"They shall not permit other interests to intrude upon the interests of the beneficiaries."*

The Great Trust that Is America

The beneficiaries of these United States, if you please, *The Great Trust of America*, are the people themselves, the blessed beneficiaries of liberty, and are entitled to protection in all operations of government. Who, then, may those other interests be that are not compatible to the interests of the people? Can we truthfully say that our parent, the government, has shown the ability, the willingness and the disposition to defy those interests that do not promote the general welfare of such beneficiaries, namely the people? Men have been premitted to gain positions of power and influence in this government detrimental to the welfare of the common man. We see on every hand the evidences of cupidity, where the holdings of the people have not been kept separate; where they have been studiously confused and confounded with interests of a negative, unwholesome character. We have seen clamors and militant attacks by aggressive minorities upon public safety and the public purse, and they have been richly rewarded by our parent. These rewards have been literally filched from the earnings and savings of the straight-thinking, peace-loving, industrious people of this nation.

What about the towering indebtedness of this country? How has that been made possible? From what sources have these moneys been extracted? From personal experience, we bankers can give the answer, and we should be giving that answer to our 100,000,000 depositors, who throughout the years have been taught to believe that in our hands their money was safe; that we were free to invest it with the best knowledge which experience gave to us; that their money was

available to them upon demand; that we would return to them not only their principal, but a decent measure of accumulated interest. We should have taught them that their money was representative labor and worthy of its hire, and should, therefore, be compensated. We did not!

What has that parent done to the child, referring specifically to the past 20 years? What example was set? Did it keep separate and secure the interests of the people, the beneficiaries, against wild, unbridled schemes of confiscation, launched and promoted by entrenched dreamers? What today is the intrinsic value of the funds, in terms of purchasing power, that belong to these millions of trusting depositors; to the millions of holders of insurance policies? With what sense of security can our endowed institutions look into the future; our schools, our universities, our hospitals, our public libraries? Were their funds under the regime of the "Deficit Deal" kept inviolate?

One more, *"We are to acquaint the beneficiaries with the facts."*

Did the new order take the people into its confidence? Did we have the facts? Did we have any conception of the fantastic, financial operations of this government? Was there a disposition to give the facts in an intelligible, simple manner? Was public debate, public discussion on these questions promoted? Was the full flood light of investigation thrown upon proposed expenditures of the people's money? Was the amount, as well as the purpose of these vast outlays exposed to the scrutiny of those who had to pay the bill? Was that one safeguard of all sound business respected by this parent? We refer to the budget, and when we speak of the budget, we mean an intelligent collection and spending of revenues.

Balanced Budget — Insurance Against Inflation

The fundamental principle of a balanced budget, the only insurance against tragic inflation, was not respected. Inflaton means cheap money; cheap money means the destruction of savings accumulated when money had value. Every farmer knows what happens where there is an overproduction of wheat, potatoes, or whatever he produces. No different rule applies to money. Is money not sacred? Listen to these words (not mine):

"Money is powerful because it represents so much. What a tremendous investment has been made in order to produce a dollar — time, thought, effort, toil, conflict and high-nerved endeavor. Therefore, take care of money; it is the most costly thing in the world. . . .

"Time is money. Money is character. Character is destiny. If these three short sentences seem, to you, to lack logical connections then remember the suggestive words of Sir Bulwer Lytton. He says, 'Never treat money affairs with levity, for money is character.' Money is character. How you get it. How you keep it. How you invest it. How you spend it. How you hoard it. How you give it. How you use it. How you are influenced by it. Yes, money is character!" (James L. Gordon, pp. 240-241.)

The law of demand and supply is one law even the New Deal-Fair Deal was unable to meddle with. *Yet when the present Administration made an attempt to undo part of the wrong done the self-reliant, unorganized people of this country during a period of 20 years, there was an outcry—and it would seem so effective an outcry politically as to occasion even this Administration to backtrack.*

The Need for Education

It is the old story of the need for education:

If you want to sell butter, you selfishly endorse the support program which has jammed caves and warehouses with butter. If you want to buy butter, you disapprove of that program.

But so long as votes count and organized forces capitalize on ignorance, even the most earnest and honorable Administration can move only so fast.

Until a majority of the voters realize the effects of excessively easy credit, realize that it tends to inflation and, therefore, to the destruction of their savings, sound monetary policy will be difficult to maintain.

Yet it should be evident to everyone that the first duty of government, the prime purpose of monetary management, is to maintain a stable dollar. Every arbitrary contraction or expansion of credit means that something is taken from one man and given to another, a robbery to which government should never be a party.

Cheap money and available credit are not synonymous. To encourage industry it is not necessary to destroy savings. A stable economy can only rest on a stable currency with a value to make savings worth a man's self denial and thrift.

Our parent, the old "Deficit Deal" government, did not give us a satisfactory accounting of its stewardship. It threw a colorful cloak of "emergency" upon its orgy of waste. There was no explanation for the unprecedented, violent departure from the simplest principle of good, honest, conscientious management of the affairs of the people.

The Code declares that, *"The head of a trust organization shall be a prudent man familiar with such affairs."*

Note—"prudent" and "familiar" —words of deep meaning and vast implication. What has the parent to say on this question? Why should not this rule, under which we as trust companies operate, be made applicable to our government? We have the right to expect and to demand that those who have been elected to positions of power in our government shall also be men of prudence and experience.

A Lack of Prudence and Knowledge in Seats of Government

As we look about us today, groping somewhat uncertainly, after the economic fallacies of the last 20 years, the infallible verdict respecting the prudence, the familiarity, the knowledge of affairs of many of those who sat in the seats of the mighty is an indictment. That parental solicitude was cast aside and discarded.

Again, it is required of us that we, *"Shall determine the safety and value of retaining and disposing of holdings."*

Is it not traditional in our government that men shall be protected and, in fact, encouraged in private ownership? Is it not one of the conceptions of this free government that the government shall not interfere with that right; that the government is not to be in competition with its own citizens; that this government shall not lie in wait to seize and feed upon the accumulations of its children? Is it not only by the observance of that relationship that the safety and the value of the holdings of its citizens can be computed?

What is the safety of the holdings of private business today? Where is our sense of security, as we struggle, as we accumulate, as we save, as we meet in the open battlefield of competition, as we apply all our energies to our task of constructing and developing America?

We trust our new parent will keep within its prescribed field—and I pray it will—unless the last 20 years practice has broken down the barriers and irreparably invaded a domain that belonged to its children, which practice, masquerading under the semblance of law, streched out its hand to reap where it had not sown.

Uncle Sam, Trust Officer, must restore that traditional initiative, that spirit of personal independence which has been the driving power of this wonderful citizenship, that has inspired it to the greatest achievements the world has ever witnessed. Our parent is under constitutional obligation to respect private holdings and guarantee their safety. How long could we as bankers hope to enjoy public confidence if we should invade the portfolios of our clients and use their trust funds for our own speculation and use? What could we say in the day of accounting to the beneficiaries of their savings and securities?

We hope and pray that Uncle Sam, Trust Officer, will refuse to deplete the further holdings of the people under the guise of taxation and drain their resources, which it distributes as gratuities, with openhanded prodigality, in such manner, in such volume, and at such intervals, as to lull the conscience of the unwary, still the clamor of the crowd, desecrate the ballot box, and purchase the unsuspecting public with its own money.

The sanctity of the franchise—the one exclusive, priceless heritage of our people—must be cherished. What will become of all of the other holdings that can be reckoned in dollars and cents, if that one holding is destroyed? Was it not that one holding, that one investment, that was bought with the blood and treasure of those who laid the foundation of this government?

It is the responsibility of our parent to safeguard that priceless holding, just as we, as trust officers, are to watch vigilantly over the bonds and the securities, the stocks and the moneys entrusted to our keeping.

Responsibilities of Government as a Trust Officer

Our own responsibility pales into insignificance, compared with that greater one which rests upon this government, the Trust Officer for the great Estate of America, this creation of wise and good men who trod the earth when freedom was being born. We appeal to our newly elected parent to set the noble example in simple honesty, trustworthiness, frankness, and fidelity to a cause. We ask that it apply to itself the same rules of conduct which are declared for our guidance and our observance.

These questions are raised because they direct attention to cold, unpleasant but indisputable facts. This discussion does not represent an attempt, much less a desire, to create or awaken a spirit of consternation or of distrust. Rather it is intended that we as citizens, as men who hold grave responsibilities, shall refuse to be misled; shall refuse to be misinformed; shall refuse to be coerced into silence; shall refuse to have our most sacred possession destroyed before our very eyes; shall refuse to withhold the facts and the grim, cold realities from the millions who trust us. It is intended to promote, on our part, searching thought, unprejudiced investigation, and courageous action. It is intended to arouse in us a determination to tear away the tyrant's mask. It is intended that we, as lovers of our hard-earned and hard-kept independence and freedom, shall refuse to be captured, controlled, and terrorized by any influences or unholy persuasions.

May we dedicate ourselves, our efforts, and our possessions to the perpetuation of the basic principles of human freedom. What if we lose our stocks, our bonds, and our positions—let us at least retain our manhood, our self-respect. With all the power at our command, let us join our fellows in the struggle for the rebirth of those noble attitudes, that inspired the establishment of this, the greatest experiment in human relations — The United States of America, the choice above all other lands!

Securities Salesman's Corner

By JOHN DUTTON

Why Some Men Become Successful Securities Salesmen

During the past two weeks I have been on a vacation trip and as usual some of my time has been spent in visiting investment firms throughout New England. I have asked the question, "How are you acquiring new men for your sales organization?" Most of the answers have been that new men are reluctant to enter the retail securities business. This situation has been a matter of concern for some years and yet occasionally you will find a man who enters the retail department as a salesman and not only likes the business but makes good. I found such a man in Worcester, Mass. I spent an evening with him, and I am going to tell you if I can, just what I believe made it possible for him to come out of an entirely different line of business when he was in his middle forties and make a success as a securities salesman.

Some years ago when I met this man he was operating a small manufacturing plant. But when he discovered that I was in the securities business he began to ask questions about investments, he wanted my opinions on specific securities; I even remember he discussed the Dow-Jones averages with me. He told me that he was constantly reading investment literature and studying securities and economics.

At that time I could see that he had a genuine liking for the business. Ordinarily a man will discuss the subject nearest to his heart, which in this case was certainly not his mattress factory. He liked the investment business even at that time. This strong inclination toward the securities business finally culminated in his disposal of his factory and about four years ago he went to work building a clientele of investors. It is therefore reasonable to believe that the first step in his ladder of success as a retail securities salesman was that he was strongly desirous of going into the business. He wasn't luke-warm about it. He quit a business in middle life to do something that he wanted very much to do. He had a drive that was strongly motivated toward the business.

This enthusiasm was evident when he met me after a four-year interval and insisted that I make a trip to his office at eight o'clock in the evening. He asked questions about his work. He wanted my opinion on his various sales promotion efforts. He went over some of his circulars with me; he asked whether or not I thought they were being directed toward the most productive mailing list. He showed me his methods of record keeping.

Then he asked me two question that I think will give you a clue to another reason why this man will continue to be successful. He said, "What kind of securities should a man sell in order to build the most solid type of clientele?" And, "How can I find time to continue to make new contacts when I am so busy servicing my present accounts?"

These two question give us another clue to his thinking. He wants to stay in the business, he likes it, he knows there are good years and those that are not so good, but he also realizes that good securities that continue to pay dividends despite their fluctuations in value will remain satisfactory investments for his clients. His second question regarding "new contacts" also covers one of the most important weakness in most successful salesmen's operations. When you have an established clientele, when new funds become available for investment from clients, or desirable "switches" shouud be consumated, you can become so busy servicing regular clients that it is very easy to excuse a certain amount of laxity in cultivating new business. Yet this man was aware of the importance of building new contacts even when he was very busy.

In conclusion, I think that his success was due to the factors of interest, desire to achieve, and a purposeful attitude toward his work. He also recognizes that it is most important to sell the type of securities that wear well and will make friends for him. If you want to become a successful securities salesman first like the business enough to be enthusiastic about it—to study it constantly—to learn and learn and learn. Next build clients — work at the job of seeing new people and keep in touch with old customers. If you want to play at this business don't go into it. It can be play if you work at it — intelligently — and properly. And it can pay you well. The man I have described to you is not only happy in his work but he is doing very much better financially than at any time before in his life.

With Bache & Co.

(Special to The Financial Chronicle)

CINCINNATI, Ohio — William W. Ruxton has become connected with Bache & Co., Dixie Terminal Building.

Goodbody Adds To Staff

(Special to The Financial Chronicle)

ST. PETERSBURG, Fla.—Walter A. Fullerton, Jr. has become affiliated with Goodbody & Co., 218 Beach Drive, North.

With McCormick & Co.

(Special to The Financial Chronicle)

CHICAGO, Ill. — Richard H. Berliss has joined the staff of McCormick & Co., 231 South La Salle Street, members of the New York and Midwest Stock Exchanges

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

American-Canadian Oil & Drilling Corp.
May 12 filed 1,500,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For drilling expenses and acquisition of additional properties for development and exploration, and related activities. **Office**—Dallas, Tex. **Underwriter**—None.

American Electronics, Inc. (7/6-7)
June 11 filed 160,000 shares of common stock (par $1), of which 100,000 shares are to be sold for account of the company and 60,000 shares for certain selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for general corporate purposes. **Office**—Los Angeles, Calif. **Underwriters**—Van Alstyne, Noel & Co., New York, and Crowell, Weedon & Co., Los Angeles, Calif.

★ **American Southern Insurance Co.**
June 14 (letter of notification) 11,498 shares of common stock (par $10). **Price**—$20 per share. **Proceeds**—To increase capital stock and surplus. **Office** — 79 Ponce de Leon Ave., N. E., Atlanta, Ga. **Underwriter**—None.

American Transportation Insurance Co., Kansas City, Mo.
March 17 filed 20,000 shares of capital stock (par $100). **Price**—$150 per share. **Proceeds** — To increase capital and surplus. **Underwriter**—None.

★ **Amuranium Corp., Moab, Utah (6/28-29)**
June 14 (letter of notification) 297,500 shares of common stock (par five cents). **Price**—$1 per share. **Proceeds**—For exploration, drilling and mining of over 110 uranium claims in the Lisbon Valley and Moab areas of Utah. **Underwriters**—S. D. Fuller & Co., Vermilye Brothers and J. B. Boucher & Co., all of New York.

Apollo Oil & Uranium Co., Denver, Colo.
May 27 (letter of notification) 12,500,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For mining activities. **Office**—602 First National Bank Building, Denver, Colo. **Underwriters** — M. A. Cleek and J. Russell Tindell, both of Spokane, Wash.

Arden Farms Co., Los Angeles, Calif.
June 11 filed 32,669 shares of $3 cumulative and participating preferred stock (no par value) and 52,876 shares of common stock (par $1), the preferred shares to be offered for subscription to holders of presently outstanding preferred stock on 1-for-10 basis, and the common stockholders to have right to subscribe for the new common stock on a 1-for-10 basis. **Price**—To be supplied by amendment. **Proceeds** — To reduce bank loans. **Underwriter**—None.

★ **Arkansas Natural Resources Corp., Rison, Ark.**
June 11 (letter of notification) 299,500 shares of common stock (par 25 cents). **Price**—$1 per share. **Proceeds**—For expenses incident to oil and gas activities. **Underwriter**—Eaton & Co., Inc., New York, N. Y.

Artesian Water Co., Newport, Del.
May 12 (letter of notification) 5,467 shares of class A non-voting common stock (no par) being offered first to stockholders of record June 1 on basis of one share for each two shares held; rights to expire on June 30. **Price**—To stockholders, $18 per share; and to public, $20 per share. **Proceeds**—To improve and expand water distribution system. **Office**—501 Newport & Gap Pike, Newport, Del. **Underwriter** — Laird, Bissell & Meeds, Wilmington, Del.

Basin Natural Gas Corp., Santa Fe, N. Mex.
Dec. 23 (letter of notification) 748,000 shares of common stock (par five cents). **Price**—40 cents per share. **Proceeds**—To acquire properties and leases. **Office** — Blatt Bldg., Santa Fe, N. M. **Underwriter**—Hunter Securities Corp., New York.

★ **Big Mesa Uranium, Inc., Salt Lake City, Utah**
June 16 (letter of notification) 10,850,000 shares of common stock (par 1 cent). **Price** — 2 cents per share. **Proceeds** — For mining expenses. **Office** — Utah Bldg., Salt Lake City, Utah. **Underwriter** — Arlin Davidson, 39 Exchange Place, Salt Lake City, Utah.

★ **Black Thunder Oil, Inc., Rapid City, S. D.**
June 17 (letter of notification) 6,000,000 shares of common stock. **Price**—At par (five cents per share). **Proceeds**—To pay accounts payable, etc., and for operating expenses. **Office** — 202 Stoltz Bldg., Rapid City, S. D. **Underwriter** — None, sales to be handled by Glenn G. Marcoe, President and General Manager.

Bullard Co., Bridgeport, Conn. (7/7)
June 15 filed 121,440 shares of common stock (par $10) to be offered for subscription by common stockholders of record July 7 on the basis of one new share for each five shares held; rights to expire on July 21. **Price**—To be supplied by amendment. **Proceeds** — From sale of stock, together with funds from private sale of $2,000,000 of 15-year notes, to be used mainly to finance the building of a new foundry. **Underwriters** — Merrill Lynch, Pierce, Fenner & Beane, Hornblower & Weeks and White, Weld & Co., all of New York.

• **Byrd Oil Corp., Dallas, Texas (7/6-9)**
June 15 filed 260,000 shares of 6% cumulative convertible class A common stock (par $7.50) to be offered for subscription by common stockholders at rate of one new share for each 2.5 shares held. **Price**—$8.10 per share to stockholders $9 to public. **Proceeds**—For payment of notes and accounts payable and for working capital. **Underwriters** — Dallas Rupe & Son, Dallas, Texas, and Straus, Blosser & McDowell, Chicago, Ill. (latter handling books).

California Electric Power Co.
April 22 filed 105,000 shares of cumulative preferred stock (par $50). **Price**—To be supplied by amendment. **Proceeds** — To redeem two issues of $2.50 preferred stock (par $50), totaling 98,800 shares, and, together with proceeds from proposed issue of $8,000,000 of new first mortgage bonds, to redeem $8,000,000 3⅞% bonds presently outstanding. **Underwriter** — Merrill Lynch, Pierce, Fenner & Beane, New York. **Offering**—Temporarily deferred.

Carman & Co., Inc.
June 8 (letter of notification) 7,500 shares of common stock (par $2.50). **Price**—$7.25 per share. **Proceeds**—To a selling stockholder. **Office**—70 Summit St., Brooklyn 31, N. Y. **Underwriter**—Gammack & Co., New York.

★ **Carmody Corp.**
June 21 (letter of notification) 1,200 shares of 5½% cumulative preferred stock (par $100) and 2,400 shares of common stock (par 10 cents) to be offered in units of one preferred and 20 shares of common stock. **Price**—$102 per unit. **Proceeds** — For purchase of equipment and machinery and for working capital. **Office** — 250 Conant Drive, Buffalo 23, N. Y. **Underwriter**—None.

Central Soya Co., Inc., Ft. Wayne, Ind.
May 27 filed 99,000 shares of common stock (no par) being offered for subscription by common stockholders of record June 11 on the basis of one new share for each 10 shares held; rights to expire on June 29. **Price** — $29.50 per share. **Proceeds** — From sale of stock, together with $6,000,000 from long-term borrowings, to be used to pay for expansion, for working capital, and other general corporate purposes. **Underwriter**—Goldman, Sachs & Co., New York.

Century Acceptance Corp.
May 27 (letter of notification) 58,000 shares of class A common stock (par $1). **Price**—$5 per share. **Proceeds**—For working capital. **Office**—1334 Oak Street, Kansas City 6, Mo. **Underwriter**—Paul C. Kimball & Co., Chicago, Ill.

Cherokee Industries, Inc., Oklahoma City, Okla.
May 10 filed 5,000,000 shares of class B non-voting common stock (par 1 cent). **Price**—$1 per share. **Proceeds**—For construction, operating expenses and working capital. **Underwriter**—None.

Chicago, Aurora & Elgin Ry., Wheaton, Ill.
May 18 (letter of notification) 5,000 shares of common stock. **Price**—At market (estimated at $8.87½ per sh.). **Proceeds**—To Earl C. Nagels, President. **Underwriter**—Rodman & Renshaw, Chicago, Ill.

Childs Food Stores, Inc., Jacksonville, Tex.
April 26 (letter of notification) 5,000 shares of class A common stock (no par). **Price**—$13 per share. **Proceeds**—For working capital. **Underwriter**—Moroney, Beissner & Co., Houston, Tex., and Eppler, Guerin & Turner, Dallas, Tex.

★ **Cincinnati Gas & Electric Co.**
June 7 filed 99,950 shares of common stock (par $8.50) to be offered for subscription by officers and employees of company and subsidiaries. **Price**—$16 per share. **Underwriter**—None.

Columbia Gas System, Inc. (6/28)
June 7 filed $40,000,000 of sinking fund debentures, series D, due 1979. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids** — To be received up to 11:30 a.m. (EDT) on June 28 at 120 East 41st Street, New York 17, N. Y.

NEW ISSUE CALENDAR

June 24 (Thursday)
Consumers Power Co. ---- Bonds
(Bids 11 a.m. EDT) $25,000,000

June 25 (Friday)
Merritt-Chapman & Scott Corp. ---- Common
(Offering to stockholders—no underwriting) about 286,027 shs.

June 28 (Monday)
Amuranium Corp. ---- Common
(S. D. Fuller & Co.; Vermilye Brothers; and J. B. Boucher & Co.) $297,500
Columbia Gas System, Inc. ---- Debentures
(Bids 11:30 a.m. EDT) $40,000,000
Essex Universal Corp. ---- Common
(Hunter Securities Corp.) $300,000
King Copper Mining Corp. ---- Common
(D. Gleich Co.) $147,500
Marion River Uranium Co. ---- Common
(Gearhart & Otis, Inc. and Crerie & Co.) $300,000
Telecomputing Corp. ---- Common
(Hill Richards & Co. and William R. Staats & Co.) 95,000 shs.
Western Plains Oil & Gas Co. ---- Common
(Irving J. Rice & Co.) $475,000

June 29 (Tuesday)
Duquesne Light Co. ---- Bonds
(Bids 11 a.m. EDT) $16,000,000
Public Service Co. of Indiana, Inc. ---- Preferred
(Blyth & Co., Inc.) $15,000,000
Sunburst Madison Oil Co. ---- Common
(R. V. Klein Co. and Larence & Murray Co., Inc.) $300,000
Sutton (O. A.) Corp., Inc. ---- Common
(F. Eberstadt & Co. and Shillinglaw, Bolger & Co.) 400,000 shares
Transportation Development Corp. ---- Common
(L. H. Rothchild & Co.) $600,000

June 30 (Wednesday)
Eastern Utilities Asssociates ---- Common
(Offering to stockholders—Kidder, Peabody & Co. will be dealer-manager) 82,451 shares
Fairchild Engine & Airplane Corp. ---- Common
(Merrill Lynch, Pierce, Fenner & Beane) 577,551 shares
Florida Power & Light Co. ---- Preferred
(Bids 11 a.m. EDT) $5,000,000
Florida Power & Light Co. ---- Common
(Bids 11 a.m. EDT) 245,000 shares

July 1 (Thursday)
Mountain States Uranium, Inc. ---- Common
(Underwriters, Inc.) $300,000
Williston Basin Oil Ventures, Inc. ---- Common
(Tellier & Co.) $50,000

July 6 (Tuesday)
American Electronics, Inc. ---- Common
(Van Alstyne, Noel & Co. and Crowell, Weedon & Co.) 160,000 shares
Byrd Oil Corp. ---- Class A
(Dallas Rupe & Sons and Straus, Blosser & McDowell) 260,000 shares

July 7 (Wednesday)
Bullard Co. ---- Common
(Offering to stockholders—to be underwritten by Merrill Lynch, Pierce, Fenner & Beane; Hornblower & Weeks; and White, Weld & Co.) 121,440 shares
Long Island Lighting Co. ---- Common
(Offering to stockholders—to be underwritten by Blyth & Co., Inc.; The First Boston Corp. and W. C. Langley & Co.) 690,062 shares
Minneapolis, St. Paul & Sault Ste. Marie RR. ---- Equip. Trust Ctfs.
(Bids noon CST) $1,950,000
Pioneer Natural Gas Co. ---- Common
(Bids 11 a.m. EST) 767,721 shares

July 8 (Thursday)
Chicago, Milwaukee, St. Paul & Pacific RR. ---- Equipment Trust Ctfs.
(Bids noon CDT) $5,100,000
Southwestern Public Service Co. ---- Bonds
(Dillon, Read & Co. Inc.) $20,000,000
Southwestern Public Service Co. ---- Preferred
(Dillon, Read & Co. Inc.) $2,000,000

July 12 (Monday)
Sangamo Electric Co. ---- Common
(Hornblower & Weeks) 100,000 shares

July 13 (Tuesday)
Hercules Cement Co. ---- Common
(Offering to stockholders—underwritten by Stroud & Co., Inc.; Reynolds & Co.; Newburger & Co.; and Warren W. York & Co.) 40,555 shares
Missouri Power & Light Co. ---- Bonds
(Bids to be invited) $7,500,000
Peoples Gas Light & Coke Co. ---- Bonds
(Bids to be invited) $39,950,000
United Gas Improvement Co. ---- Bonds
(Bids noon EDT) $10,000,000

July 14 (Wednesday)
Industrial Hardware Mfg. Co. ---- Common
(Milton D. Blauner & Co., Inc.) 185,000 shares

July 21 (Wednesday)
Colorado Interstate Gas Co. ---- Bonds
(Probably Dillon, Read & Co. Inc.) $30,000,000
Colorado Interstate Gas Co. ---- Preferred
(Probably Dillon, Read & Co. Inc.) $11,000,000

July 26 (Monday)
Boston Edison Co. ---- Bonds
(Bids to be invited) $18,000,000

August 16 (Monday)
Pacific Power & Light Co. ---- Bonds
(Bids to be invited) $30,000,000

August 24 (Tuesday)
Arkansas Power & Light Co. ---- Bonds
(Bids to be invited) $7,500,000

September 28 (Tuesday)
New England Electric System ---- Common
(Offering to stockholders—bids to be invited)

★ Comanche Uranium Co., Inc., Salt Lake City, Utah
June 17 (letter of notification) 5,000,000 shares of capital stock (par one cent). **Price**—Four cents per share. **Proceeds**—For mining expenses. **Office**—628 S. State St., Salt Lake City, Utah. **Underwriter**—Uranium Mart, 146 S. Main St., Salt Lake City, Utah.

★ Commonwealth Mining Corp. of South Dakota
June 17 (letter of notification) 560,310 shares of common stock. **Price**—At par (50 cents per share). **Proceeds**—For acquisition of property and working capital. **Address**—P. O. Box 892, Sioux Falls, S. D. **Underwriter**—None.

★ Comstock Uranium & Oil Corp.
June 17 (letter of notification) 1,500,000 shares of common stock (par two cents). **Price**—10 cents per share. **Proceeds**—For mining expenses. **Office**—600 Utah Savings & Trust Bldg., Salt Lake City, Utah. **Underwriter**—J. A. Hogle & Co.; Coombs & Co.; Harrison S. Brothers & Co.; W. D. Nebeker & Co.; P. G. Christopulos & Co.; Cromer Brokerage Co.; A. P. Kibbe & Co.; Whitney Investment Co.; James E. Reed Co.; and Walter Sondrup & Co.; all of Salt Lake City, Utah.

Connecticut Light & Power Co.
May 25 filed 590,290 shares of common stock (no par—stated value $10.0625 per share), being offered for subscription by commoin stockholders of record at 3 p.m. on June 1, 1954, in the ratio of one new share for each 10 shares held; rights will expire on June 29. **Price**—$14 per share. **Proceeds** — For construction program. **Underwriter**—None.

Consol. Edison Co. of New York, Inc.
April 7 filed $50,000,000 of first and refunding mortgage bonds, series K, due May 1, 1984. **Proceeds**—To be applied towards cost of redeeming $27,982,000 New York Steam Corp. first mortgage bonds and $25,000,000 Westchester Lighting Co. general mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp. **Offering**—Originally set for May 11, but has been postponed because of market conditions. No new date set.

● Consumers Power Co. (6/24)
May 6 filed $25,000,000 of first mortgage bonds due 1984. **Price**—To be not less favorable to company than a 3⅛% basis. **Proceeds**—To redeem at 105.25% a like amount of outstanding 3¾% bonds due 1983. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Kuhn, Loeb & Co., and Union Securities Corp. (jointly); Harriman Ripley & Co. and The First Boston Corp. (jointly). **Bids** — To be received up to 11 a.m. (EDT) on June 24, at 20 Pine St., New York 5, N. Y.

★ Crown Uranium Co., Casper, Wyo.
June 11 (letter of notification) 2,400,000 shares of common stock (par 5 cents). **Price** — 10 cents per share. **Proceeds**—For mining expenses. **Office**—205 Star Bldg., Casper, Wyo. **Underwriter**—Forbes & Co., First National Bank Bldg., Denver 2, Colo.

Danaho Refining Co., Houston, Texas
June 14 filed $625,000 of 6% debentures and 375,000 shares of common stock (par 10 cents) to be offered in units of $50 of debentures and 30 shares of stock. **Price**—$100 per unit. **Proceeds**—For additions and improvements. **Underwriter**—None.

Danaho Refining Co., Houston, Texas
June 14 filed 110,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For additions and improvements. **Underwriter**—None.

Decca Records, Inc., New York
May 10 filed 954,474 shares of capital stock (par 50 cents) being offered in exchange for Universal Pictures Co., Inc., common stock on the basis of 2¼ shares of Decca stock for each Universal share. Decca on May 1 owned 672,996 shares (66.2%) of Universal stock, with 344,338 shares in hands of approximately 1,783 other stockholders. Also there were warrants outstanding for the purchase of 79,873 shares of Universal stock at $10 per share held by others than Decca, and any Universal stock acquired upon exercise of such warrants may be tendered for exchange. Offer will expire on June 30. **Soliciting Agent**—Georgeson & Co., New York.

★ Delta Motor Car Corp., Reno, Nev.
June 8 (letter of notification) 100,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For development and operating expenses. **Office** — 15 East First St., Reno, Nev. **Underwriter**—None.

★ Desert Country Club Estates, Inc.
June 10 (letter of notification) 1,120 shares of common stock to be offered for subscription by present stockholders. **Price**—At par ($10 per share). **Proceeds**—To pay indebtedness and for current operating expenses. **Office** — c/o Thompson & Colegate, 444 North Palm Drive, Palm Springs, Fla. **Underwriter**—None.

Duquesne Light Co. (6/29)
May 26 filed $16,000,000 of first mortgage bonds due July 1, 1984. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.; Kuhn, Loeb & Co., Union Securities Corp. and A. C. Allyn & Co., Inc. (jointly); White, Weld & Co.; Drexel & Co. and Equitable Securities Corp. (jointly); Harriman Ripley & Co. Inc. **Bids**—To be received up to 11 a.m. (EDT) on June 29 at 15 Broad St., New York 5, N. Y.

● Eastern Utilities Associates (6/30)
June 9 filed 82,451 shares of common stock (par $10) to be offered for subscription by common stockholders of record June 29 on the basis of one new share for each 12 shares held (with an oversubscription privilege); rights to expire on July 15. **Price** — To be supplied by amendment. **Proceeds**—To pay off $2,000,000 bank loans. **Dealer-Manager**—Kidder, Peabody & Co., New York.

★ Engelder Precision Instrument Corp.
June 2 (letter of notification) 75,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For payment of accounts payable, operating capital and equipment. **Office**—807 Title and Trust Bldg., Phoenix, Ariz. **Underwriter**—None.

● Essex Universal Corp., Boston, Mass. (6/28-30)
June 4 (letter of notification) 500,000 shares of common stock (par 10 cents). **Price**—60 cents per share. **Proceeds**—To produce and market fluffed topping known as "Sta-Wip." **Office**—10 High St., Boston, Mass. **Underwriter**—Hunter Securities Corp., New York.

Fairchild Engine & Airplane Corp. (6/30)
June 8 filed 577,551 shares of common stock (par $1) to be offered for subscription by common stockholders of record June 29 on basis of one new share for each four shares held; rights to expire July 14. **Price**—To be supplied by amendement. **Proceeds** — For additional facilities, machinery and equipment and general corporate purposes. **Underwriter** — Merrill Lynch, Pierce, Fenner & Beane, New York.

Financial Credit Corp., New York
Jan. 29 filed 250,000 shares of 7% cumulative sinking fund preferred stock. **Price**—At par ($2 per share). **Proceeds**—For working capital. **Underwriter**—E. J. Fountain & Co., Inc., New York.

Florida Power & Light Co. (6/30)
June 8 filed 50,000 shares of cumulative preferred stock, series D (par $100). **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc. and Lehman Brothers (jointly); The First Boston Corp.; White, Weld & Co.; Merrill Lynch, Pierce, Fenner & Beane; and Union Securities Corp. **Bids**—To be received up to 11 a.m. (EDT) on June 30, at Two Rector St., New York 6, N. Y.

Florida Power & Light Co. (6/30)
June 8 filed 245,000 shares of common stock (no par). **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Lehman Brothers and Blyth & Co., Inc. (jointly); The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Carl M. Loeb, Rhoades & Co.; Union Securities Corp. **Bids**—To be received up to 11 a.m. (EDT) on June 30, at Two Rector St., New York 6, N. Y.

General Credit Corp., Miami, Fla.
March 25 (letter of notification) 74,990 shares of capital stock (par $1). **Price**—$4 per share. **Proceeds**—For working capital. **Office**—799 N. W. 62nd Street, Miami, Fla. **Underwriter**—Murphy & Co., Miami, Fla.

General Gas Corp., Baton Rouge, La.
March 19 filed 100,000 shares of common stock (par $5). **Price** — To be supplied by amendment. **Proceeds** — To selling stockholders. **Underwriter**—Kidder, Peabody & Co., New York. **Offering**—Postponed indefinitely.

General Telephone Co. of Kentucky
May 7 filed 46,000 shares of 5% cumulative preferred stock (par $50), of which 16,000 shares are being offered in exchange for the 8,000 shares of 5.2% cumulative preferred stock outstanding on the basis of two new shares, plus $4 per share in cash for each 5.2% share held. The exchange offer will expire on July 1. The remaining 30,000 shares of 5% preferred stock were offered publicly at par by Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp. and associates. **Proceeds**—To retire 5.2% preferred stock, to repay bank loans and to pay notes due to the General Telephone Corp., its parent.

★ Georgia Leather Co.
June 17 (letter of notification) $250,000 of 5-year debenture bonds due July 1, 1959. **Price**—100% and accrued interest. **Proceeds**—For loan to Bonded Fibers, Inc., a subsidiary which plans to acquire plant, and for working capital. **Office**—14-05 Ivy Lane, Fairlawn, N. J., c/o Hugo N. Surmonte, President. **Underwriter**—None.

★ Golden Anchor Mining & Milling Co., Consolidated, Inc.
June 4 (letter of notification) 2,500,000 shares of common stock. **Price**—10 cents per share. **Proceeds**—For mining and milling expenses. **Office**—1420 Old National Bank Bldg., Spokane 1, Wash. **Underwriter**—None.

Grant Building, Inc., Pittsburgh, Pa.
May 21 filed 22,069 shares of common stock (par $1) being offered for subscription by common and class A common stockholders on basis of one share for each five shares of common or class A common stock held on June 10; rights to expire June 30. **Price**—$17 per share. **Proceeds**—From sale of stock, together with other funds, to be used to retire $403,100 of collateral trust bonds due 1957 at 100% and accrued interest. **Underwriter**—None.

Gray Manufacturing Co., Hartford, Conn.
June 10 filed 58,119 shares of common stock (par $5) to be offered for subscription by common stockholders on the basis of one new share for each four shares held. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Underwriter**—None.

★ Great Woods Production Corp.
June 4 (letter of notification) $50,000 of 5½% five-year bonds and 250 shares of stock (par $100) to be offered in units of a $1,000 bond and five shares of stock. **Price**—$1,500 per unit. **Proceeds**—For equipment and working capital. **Office**—1411 Liberty National Bank Bldg., Oklahoma City, Okla. **Underwriter**—None.

★ Green River Oil & Uranium Co.
June 11 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price** — 10 cents per share. **Proceeds** — For oil and mining activities. **Office** — 235 Atlas Bldg., Salt Lake City, Utah. **Underwriter**—Rocky Mountain Securities, 508 Atlas Bldg., Salt Lake City, Utah.

● Gulf States Utilities Co.
May 14 filed 160,000 shares of preferred stock (par $100). **Proceeds** — To redeem 50,000 shares of $4.50 dividend preferred stock, 60,000 shares of $4.40 dividend preferred stock, 1949 series, and 50,000 shares of $4.44 dividend preferred stock at the prevailing redemption prices of $105, $105, and $105.75, respectively. **Underwriter**—To be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp.; Lehman Brothers and Equitable Securities Corp. (jointly); Kuhn, Loeb & Co.; Glore, Forgan & Co. and W. C. Langley & Co. (jointly). **Bids**—Had tentatively been expected to be received up to 11:30 a.m. (EDT) on June 15 at The Hanover Bank, 70 Broadway, New York, N. Y., but offering has been postponed. Stockholders to vote June 29 on approving new preferred stock issue.

Gulf States Utilities Co.
May 14 filed $24,000,000 of first mortgage bonds due June 1, 1984. **Proceeds**—To redeem $10,000,000 of 3⅝% first mortgage bonds due 1981 and $10,000,000 of 3⅝% first mortgage bonds due 1983, and for general corporate purposes. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Salomon Bros. & Hutzler and Union Securities Corp.; Kuhn, Loeb & Co. and A. C. Allyn & Co., Inc. (jointly); Lee Higginson Corp. and Carl M. Loeb, Rhoades & Co. (jointly); Stone & Webster Securities Corp. **Bids**—Had tentatively been expected to be received up to 11 a.m. (EDT) on June 15 at The Hanover Bank, 70 Broadway, New York, N. Y., but offering has been postponed.

★ Hanley (James) Co., Providence, R. I.
June 18 (letter of notification) 111,500 shares of common stock to be offered for subscription by present stockholders. **Price**—At par ($1 per share). **Proceeds**—For working capital. **Office**—35 Janckson St., Providence 4, R. I. **Underwriter**—None.

● Hilo Electric Light Co., Ltd., Hilo Hawaii
May 10 filed 25,000 shares of common stock being offered for subscription by stockholders of record June 5 on the basis of one share for each four shares held. Unsubscribed shares to be offered to employees; rights to expire on July 19. **Price**—At par ($20 per share). **Proceeds**—To repay bank loans and for additions and improvements. **Underwriter**—May be named by amendment.

★ Hercules Cement Corp. (7/13)
June 22 filed 40,555 shares of common stock (par $10) to be offered for subscription by common stockholders of record June 15, 1954, on the basis of one new share for each four shares held. Expected July 13 with a 14-day standby. **Price** — To be supplied by amendment. **Proceeds** — For expansion and modernization. **Underwriters**—Stroud & Co., Inc., Reynolds & Co., and Newburger & Co., all of Philadelphia, Pa.; and Warren W. York & Co., Allentown, Pa.

● Industrial Hardware Mfg. Co., N. Y. (7/14)
June 14 filed 185,000 shares of common stock (par 50 cents), of which 106,602 shares are to be offered for account of company and 78,398 shares for account of Louis Offerman, Vice-President. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and pay taxes, and for working capital. **Underwriter**—Milton D. Blauner & Co., Inc., New York.

★ Inland Uranium, Inc., Salt Lake City, Utah
June 17 (letter of notification) 5,000,000 shares of capital stock (par one cent). **Price**—Two cents per share. **Proceeds**—For mining expenses. **Office**—240 S. 2nd St., East, Salt Lake City, Utah. **Underwriter**—Rocky Mountain Securities, 508 Atlas Bldg., Salt Lake City, Utah.

● Inter-Canadian Corp., Chicago, Ill.
April 19 filed 100,000 shares of common stock (par $1). **Price**—$25 per share. **Proceeds**—For venture or semi-venture investment situations in Canada. **Underwriter**—White, Weld & Co., New York. **Offering** — Expected today (June 24).

★ Interstate Uranium, Inc., Salt Lake City, Utah
June 14 (letter of notification) 10,000,000 shares of common stock (par 1 cent). **Price** — 3 cents per share. **Proceeds**—For mining expenses. **Underwriter**—Cayias Brokerage Co., Salt Lake City, Utah.

Kendon Electronics Co., Inc.
April 21 (letter of notification) 150,000 shares of common stock (par 10 cents). **Price**—25 cents per share. **Proceeds**—For working capital and general corporate purposes. **Office** — 18 Clinton Street, Brooklyn, N. Y. **Underwriter**—20th Century Pioneer Securities Co., New York, N. Y.

● King Copper Mining Corp (6/28-29)
June 2 (filed under Regulation "D") 295,000 shares of capital stock (par $1). **Price**—50 cents per share. **Proceeds**—For expansion, diamond drilling, working capital and general corporate purposes. **Office**—1519 Pine Ave., West, Montreal, Canada. **Underwriter**—D. Gleich Co., New York.

★ Kreuger (W. A.) Co., Milwaukee, Wis.
June 14 (letter of notification) $300,000 of 6% subordinated debentures due $150,000 each on July 1, 1959 and July 1, 1964. **Proceeds**—For working capital. **Office**—3830 W. Wisconsin Ave., Milwaukee, Wis. **Underwriter**—None.

★ Lake Placid Co.
June 15 (letter of notification) $250,000 of 10-year notes due Sept. 30, 1964. **Price**—At 100% of principal amount. **Proceeds**—For modernization and improvements. **Office**—Lake Placid Club, Essex County, N. Y. **Underwriter**—None.

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Las Vegas Continental Hotel, Inc.
May 17 filed 500,000 shares of preferred capital stock (par $9.90) and 500,000 shares of common capital stock (no par—10¢ stated value) to be offered in units of one preferred and one common share. **Price**—$10 per unit. **Proceeds**—To build and operate a luxury hotel and for working capital. **Office**—Las Vegas, Nev. **Underwriter**—Lester L. LaFortune, Las Vegas, Nev.

Lily-Tulip Cup Corp.
May 25 filed 88,000 shares of common stock (no par) being offered for subscription by stockholders of record June 15 on the basis of one new common share for each eight shares held; rights to expire June 29. **Price**—$65 per share. **Proceeds** — For general corporate purposes. **Underwriter**—Blyth & Co., Inc., New York.

★ Loma Uranium Corp., Denver, Colo.
June 18 filed 1,000,000 shares of common stock (par 10 cents). **Price**—$1.25 per share. **Proceeds**—For exploration and development costs, purchase of equipment, and reserve for acquisition of additional properties. **Underwriters**—French & Co., Houston, Tex., and Peter Morgan & Co., New York.

★ Long Island Lighting Co. (7/7)
June 17 filed 690,062 shares of common stock (par $10) to be offered for subscription by common stockholders of record July 7 on the basis of one new share for each eight shares held; rights to expire on or about July 22. An additional 64,685 shares are to be offered for subscription by officers and employees. **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans incurred for construction. **Underwriters**—Blyth & Co., Inc., The First Boston Corp. and W. C. Langley & Co., all of New York.

★ Macwain Industries, Inc.
June 14 (letter of notification) 150,000 shares of capital stock. **Price**—At par (one cent per share). **Proceeds**—For general corporate purposes. **Business**—Manufacture and sale of chemical and metallurgical products. **Address**—P. O. Box 1629, Grand Central Station,, New York, N. Y. **Underwriter**—None.

★ Marion River Uranium Co. (6/28-29)
June 14 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For development expenses. **Underwriters**—Gearhart & Otis, Inc., New York; and Crerie & Co., Houston, Tex.

★ McNeil Machine & Engineering Co.
June 17 (letter of notification) 4,500 shares of common stock (par $5). **Price**—At market. **Proceeds**—To Frank H. Jennings, the selling stockholder. **Underwriter**—McDonald & Co., Cleveland, O.

★ Mental Health Publications, Inc.
June 21 (letter of notification) 499 shares of capital stock (no par). **Price**—$50 per share. **Proceeds**—To publish magazine. **Office**—45 East 17th St., New York 3, N. Y. **Underwriter**—None.

★ Merchants Fire Insurance Co., Denver, Colo.
June 16 (letter of notification) 10,000 shares of common stock (par $10), to be first offered to stockholders. **Price** $20 per share. **Proceeds**—To increase capital stock and surplus. **Office**—Gas & Electric Bldg., Denver 2, Colo. **Underwriter**—None.

Merritt-Chapman & Scott Corp. (6/25)
June 4 filed 286,027 shares of common stock (par $12.50) to be offered for subscription by common stockholders of record June 25 on the basis of one new share for each five shares held (with an oversubscription privilege). Rights will expire on July 19. **Price**—To be supplied by amendment. **Proceeds** — To retire $4,050,000 of 4½% notes held by an insurance company and for further expansion. **Underwriter**—None.

Midland General Hospital, Inc., Bronx, N. Y.
May 17 filed 900 shares of common stock (no par). **Price**—$1,000 per share. **Proceeds**—To erect a hospital in the Borough of Paramus, N. J., and for working capital, etc. **Underwriter**—None.

Mission Indemnity Co., Pasadena, Calif.
March 29 filed 600,000 shares of common stock (par 65 cents) to be offered first to stockholders and to general public. **Price**—$2 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—None.

Missouri Power & Light Co. (7/13)
June 10 filed $7,500,000 of first mortgage bonds due 1984. **Proceeds**—To redeem outstanding $4,000,000 3⅝% bonds on Aug. 19, 1954, to repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co., Kidder, Peabody & Co., Shields & Co. and Auchincloss, Parker & Redpath (jointly); Equitable Securities Corp.; Salomon Bros. & Hutzler; The First Boston Corp.; Carl M. Loeb, Rhoades & Co. and American Securities Corp. (jointly). **Bids**—Tentatively expected to be received on July 13.

Missouri Public Service Co.
April 23 filed 50,000 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—To redeem outstanding first preferred stock ($3,475,000), to repay $750,000 bank loans and the balance for construction program. **Underwriter**—Kidder, Peabody & Co., New York. **Offering** — Postponed indefinitely.

Monterey Oil Co., Los Angeles, Calif.
Feb. 2 filed 257,338 shares of common stock (par $1). **Price**—At the market price then prevailing on the New York Stock Exchange, or through special offerings or secondary distributions. **Proceeds**—To Lehman Borthers (400 shares); partners of Lehman Brothers and members of their immediate families (150,458); and The Lehman Corp. (106,480). **Underwriter**—None. No general offer planned.

● Mountain States Uranium, Inc. (7/1)
May 18 (letter of notification) 30,000,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For mining expenses. **Office**—1117 Miner St., Idaho Springs, Colo. **Underwriter**—Underwriters, Inc., Sparks, Nev.

Nash-Finch Co., Minneapolis, Minn.
May 24 (letter of notification) 1,000 shares of common stock (par $10). **Price**—At market (estimated at not to exceed $18.50 per share). **Proceeds** — To Willis King Nash, the selling stockholders. **Underwriter** — J. M. Dain & Co., of Minneapolis, Minn.

Natick Industries, Inc., Natick, Mass.
March 10 (letter of notification) 58,800 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—For working capital, etc. **Underwriter**—J. P. Marto & Co., Boston, Mass.

★ National Securities & Research Corp., N. Y.
June 18 filed 8,500,000 shares of National Securities Series. **Price**—At market. **Proceeds**—For investment.

★ National Uranium Corp., New York
June 17 (letter of notification) 298,000 shares of common stock (par five cents). **Price**—$1 per share. **Proceeds**—For mining expenses. **Office**—25 Broadway, New York, N. Y. **Underwriter**—Jay W. Kaufman & Co. and Vickers Brothers, both of New York.

★ New Mexico Copper Corp., Carrizozo, N. M.
June 14 (letter of notification) 198,000 shares of capital stock (par 25 cents). **Price**—50 cents per share. **Proceeds**—For acquisition of power plant, improvement of mill, development of properties and general corporate purposes. **Underwriter**—Mitchell Securities, Inc., Baltimore, Md.

★ North Central Airlines, Inc.
June 15 (letter of noitfication) $300,000 of 10-year 6% convertible debentures. **Proceeds**—To reduce trade accounts payable and for working capital. **Address** — c/o Fairchild, Foley & Sammond, 735 North Water St., Milwaukee 2, Wis. **Underwriter**—None.

★ North Electric Manufacturing Co.
June 16 (letter of notification) 20,322 shares of common stock (par $10), to be offered for subscription by common stockholders of record July 1, 1954; rights to expire on Aug. 2, 1954. **Price**—$12 per share. **Proceeds**—To repay loans. **Office**—501 S. Market St., Galion, O. **Underwriter**—None.

Oklahoma Oil Co., Denver, Colo.
April 30 (letter of notification) 800,000 shares of common stock (par five cents) to be offered first to stockholders. **Price**—25 cents per share to stockholders; at market to public. **Proceeds**—To drill for oil and gas on 21 offset locations. **Office**—401 Zook Building, Denver 4, Colo. **Underwriter**—None.

★ Overide Oils, Inc., Casper, Wyo.
June 14 (letter of notification) 74,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To acquire working interests and to develop leases. **Address**—P. O. Box 806, Casper, Wyo. **Underwriter**—None.

★ Overland Oil, Inc., Denver, Colo.
June 7 (letter of notification) 450,000 shares of common stock (par 10 cents). **Price**—40 cents per share. **Proceeds**—To pay liabilities and to pay for drilling of well. **Underwriter**—None.

Pacific Telephone & Telegraph Co.
May 7 filed 1,004,603 shares of common stock to be offered for subscription by common and preferred stockholders in the ratio of one share for each seven shares of common and/or preferred stock held. **Price**—At par ($100 per share). **Proceeds**—To reduce bank borrowings. **Underwriter**—None.

● Peoples Gas Light & Coke Co. (7/13)
June 14 filed $39,950,000 first and refunding mortgage bonds, series I, due July 1, 1979. **Proceeds**—To redeem $15,000,000 series F bonds and $24,950,000 series H bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp; Glore, Forgan & Co.; Kuhn, Loeb & Co. **Bids**—Tentatively expected to be received on July 13.

Petaca Mining Corp., Santa Fe, N. Mex.
June 9 filed 600,000 shares of cumulative sinking fund preference stock and 300,000 shares of 10-cent par common stock to be offered in units of two preference shares and one common share. **Price**—$3 per unit. **Proceeds**—To retire 40,526 shares of outstanding preferred stock, for power line extensions and electric transformers, equipment and machinery, exploration and working capital. **Underwriter**—Barrett Herrick & Co., Inc., New York.

Philadelphia Electric Co.
May 19 filed 906,917 shares of common stock (no par) being offered for subscription by common stockholders of record June 7 at the rate of one new share for each 12 shares held; rights to subscribe on June 28. **Price**—$34 per share. **Proceeds** — For construction program. **Underwriter**—None. Drexel & Co., Philadelphia, Pa., and Morgan Stanley & Co., New York, will act as Dealer-Managers.

Pubco Development, Inc., Albuquerque, N. M.
June 16 filed 908,967 shares of common stock (par $1) to be issued and sold at $1 per share upon exercise of outstanding subscription warrants (dates advanced to period July 15 through Oct. 15). **Proceeds**—For general corporate purposes. **Underwriter**—None.

Public Service Co. of Indiana, Inc. (6/29)
June 9 filed 600,000 shares of cumulative preferred stock (par $25). **Price**—To be supplied by amendment. **Proceeds** — To redeem presently outstanding 600,000 shares of 4.90% cumulative preferred stock. **Underwriter** Blyth & Co., Inc., San Francisco and New York.

★ Royal Uranium Corp., Salt Lake City, Utah
June 14 (letter of notification) 2,500,000 shares of capital stock (par five cents). **Price**—Six cents per share. **Proceeds**—For mining expenses. **Office** — Walker Bank Bldg., Salt Lake City, Utah. **Underwriter**—Whitney Investment Co., Salt Lake City, Utah.

★ San Juan Mining & Developing Co.
June 1 (letter of notification) 1,000,000 shares of common stock. **Price** — 5 cents per share. **Proceeds**—To rehabilitate an old gold-silver mine. **Office** — Silverton Colo. **Underwriter**—None.

★ Sangamo Electric Co., Springfield, Ill. (7/12)
June 18 filed 100,000 shares of common stock (par $10). **Price**—To be related to market price on the New York Stock Exchange at time of offering. **Proceeds**—To reduce bank loans and for working capital. **Underwriter**—Hornblower & Weeks, New York.

★ Savoy Oil Co., Inc., Tulsa, Okla.
June 3 (letter of notification) 45,000 shares of common stock (par 25 cents). **Price**—At market (approximately $6.12½ per share). **Office**—417 McBirney Bldg., Tulsa, Okla. **Proceeds**—For general corporate purposes. **Underwriter**—None.

★ Sinclair Oil Corp.
June 17 filed $12,000,000 of participations in Employees' Savings Plan, together with 200,000 shares of common stock which may be purchased under said plan.

Smith-Dieterich Corp.
May 27 (letter of notification)) 1,775 shares of common stock. **Price**—At par ($2.50 per share). **Proceeds**—To P. Stanley Smith, the selling stockholder. **Office**—50 Church St., New York, N. Y. **Underwriter**—Cooke and Lucas, New York City.

Smith Investment Co., Milwaukee, Wis.
May 26 (letter of notification) 15 shares of common stock (par $10). **Price**—$6,500 per share. **Proceeds**—To Estate of Lloyd R. Smith, deceased. **Underwriter**—Gardner F. Dalton & Co., Milwaukee, Wis.

★ Somerset Telephone Co., Norridgewock, Me.
June 11 (letter of notification) 2,200 shares of capital stock. **Price**—At par ($5 per share). **Proceeds**—For expansion and new equipment. **Underwriters**—E. H. Stanley & Co., Waterville, Me.; and Clifford J. Murphy Co., Portland, Me.

● Southern Utah Power Co.
May 26 (letter of notification) 13,135 shares of common stock (par $10) being offered to common stockholders of record June 10 at rate of one new share for each six shares held; rights to expire on June 25. **Price**—$13 per share. **Proceeds**—To repay bank loans. **Underwriters**—Smith, Polian & Co., Omaha, Neb.; and Lester, Ryons & Co., Los Angeles, Calif.

★ Southwestern Public Service Co. (7/8)
June 17 filed $20,000,000 of first mortgage bonds due June 1, 1979. **Price** — To be supplied by amendment. **Proceeds**—Together with other funds, to redeem outstanding $10,000,000 3¾% first mortgage bonds due 1982 and $12,000,000 3.65% first mortgage bonds due 1984. **Underwriter**—Dillon, Read & Co., Inc., New York.

★ Southwestern Public Service Co. (7/8)
June 17 filed 80,000 shares of cumulative preferred stock (par 25). **Price**—To be supplied by amendment. **Proceeds**—Together with other funds, to redeem outstanding bonds. **Underwriter**—Dillon, Read & Co. Inc., New York.

Spokane Seed Co., Spokane, Wash.
March 8 filed $600,000 of 5% convertible debentures due June 15, 1964, to be sold to pea growers located in Eastern Washington and Northern Idaho. **Price**—100% of principal amount. **Proceeds**—To improve facilities and for working capital. **Underwriter**—None.

★ Stambaugh-Thompson Co., Youngstown, Ohio
June 7 (letter of notification) 2,000 shares of common stock (no par) to be offered for subscription by employees. **Price**—$25 per share. **Proceeds**—For general corporate purposes. **Office**—114 W. Federal St., Youngstown, Ohio. **Underwriter**—None.

Strevell-Paterson Finance Corp.
Feb. 19 filed 640,000 shares of common stock (par 50 cents being offered in exchange for the $300,000 par value of authorized, issued and outstanding capital stock of Strevell-Paterson Finance Co. on the basis (a) of 13 shares of Corporation stock for each of the 5,000 shares of 5% cumulative preferred stock (par $10) of the Company and (b) 23 shares of Corporation stock for each of the 25,000 shares of $10 par common stock of the company. Offer expires Oct. 31. **Underwriter**—None. **Office**—Salt Lake City, Utah. Statement effective March 30.

Sun Oil Co., Philadelphia, Pa.
April 15 filed a maximum of 139,662 shares of common stock (no par) to be offered for possible public sale during the period July 1, 1954 to June 30, 1955. **Price**—At market. **Proceeds**—To selling stockholders. **Underwriter**—None. The shares will be sold through brokerage houses.

● Sunburst Madison Oil Co. (6/28-29)
June 7 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For exploration and development of oil and gas properties. **Office**—129 S. State St., Dover, Del. **Underwriters**—R. V. Klein Co. and Lawrence & Murray Co., Inc., both of New York.

● Sutton (O. A.) Corp., Inc. 6/29-30)
June 10 filed 400,000 shares of common stock (par $1), of which 200,000 shares are to be sold by company and 200,000 shares for account of O. A. Sutton, President. **Price**—To be supplied by amendment. **Proceeds**—From sale of common stock, together with proceeds from pri-

vate sale of 15,000 shares of 6% cumulative preferred stock at $100 per share, to retire preferred stock and debt. **Office**—Wichita, Kan. **Underwriter**—F. Eberstadt & Co., New York, and Shillinglaw, Bolger & Co., Chicago, Ill.

• Tape Production Corp., N. Y.
May 27 (letter of notification) 15,000 shares of 6% non-cumulative preferred stock being first offered for subscription by common stockholders on the basis of one preferred share for each four common shares held; rights to expire on July 1, 1954. **Price**—At par ($1 per share). **Proceeds**—For working capital. **Office**—201 East 42nd St., New York 17, N. Y. **Underwriter**—None.

Taylorcraft, Inc., Conway, Pa.
April 30 (letter of notification) 150,000 shares of 6% cumulative convertible preferred stock, of which 100,000 shares will be offered to public and 50,000 shares to creditors. **Price**—At par ($2 per share). **Proceeds**—For working capital. **Underwriter**—Graham & Co., Pittsburgh, Pa.

Telecomputing Corp., Burbank, Calif. (6/28)
June 7 filed 95,000 shares of capital stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For manufacture of "Point O'Sale Recorders" and for further development and production of other units in company's automatic business controls program. **Underwriters**—Hill Richards & Co. and William R. Staats & Co., both of Los Angeles, Calif.

★ Temple Mountain Uranium Co.
June 11 (letter of notification) 3,500,000 shares of common stock (par 2½ cents). **Price** — 3 cents per share. **Proceeds**—For mining expenses. **Office**—39 Exchange Place, Salt Lake City, Utah. **Underwriter**—Walter Sondrup Co., Salt Lake City, Utah.

Texas Instruments, Inc., Dallas, Tex.
May 28 (letter of notification) 30,000 shares of common stock (par $1). **Price**—At market (aggregate not to total over $300,000). **Proceeds**—To four selling stockholders. **Office**—6000 Lemmon Avenue, Dallas, Texas. **Underwriter**—Schneider, Bernet & Hickman, Dallas, Texas.

★ Texas International Sulphur Co., Houston, Texas
June 21 filed 455,000 shares of common stock (par 10 cents), of which 385,000 shares are to be offered for subscription by common stockholders at the rate of one new share for each 4½ shares held; and 70,000 shares are for account of certain selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—For exploration and drilling, and payment of bank loans and advances. **Underwriter**—Vickers & Co., New York, on a "best efforts" basis.

★ Thorofare Markets, Inc.
June 18 (letter of notification) 10,000 shares of common stock (par 10 cents). **Price**—To be named later. **Proceeds**—For working capital. **Office** — 17th and Smallman Sts., Pittsburgh 22, Pa. **Underwriter**—Glover & MacGregor, Inc., Philadelphia, Pa.

Three-In-One Gold Mines Corp., Reno, Nev.
May 3 (letter of notification) 1,993,333⅓ shares of capital stock (par one cent). **Price**—15 cents per share. **Proceeds**—For mining expenses. **Office**—139 N. Virginia St., Reno, Nev.

• Transportation Development Corp. (6/29)
April 26 filed 100,000 shares of common stock (par $1). **Price**—$6 per share. **Proceeds**—To finance the costs of obtaining contracts for the construction of the company's transportation system, for working capital and for other general corporate purposes. **Underwriters**—L. H. Rothchild & Co., New York.

Trican Petro-Chemical Corp., Montreal, Canada.
April 30 filed 500,000 shares of common stock (par $1). **Price** — To be related to the market price at time of offering. **Proceeds**—For development costs and general corporate purposes. **Underwriter** — To be named by amendment.

★ United Benefit Fire Insurance Co., Omaha, Neb.
June 14 (letter of notification) 25,000 shares of common stock to be offered first to stockholders. **Price**—At par ($10 per share). **Proceeds**—To increase surplus. **Office**—2565 St. Mary's Ave., Omaha, Neb. **Underwriter**—Stewart, Smith & Co., Inc., New York, N. Y.

United Gas Improvement Co. (7/13)
June 11 filed $10,000,000 of first mortgage bonds due 1979. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Kidder, Peabody & Co.; Morgan Stanley & Co. and Drexel & Co. (jointly); The First Boston Corp.; Blair, Rollins & Co. Inc. **Bids**—Tentatively set to be received by the company in Philadelphia, Pa., up to noon (EDT) on July 13.

Utah National Uranium Mining Corp.
May 27 (letter of notification) 1,199,600 shares of common stock (par one cent). **Price**—25 cents per share. **Proceeds** — For mining expenses. **Office** — 402 Boston Building, Salt Lake City, Utah. **Underwriters** — Carroll, Kirchner & Jaquith, Inc., Denver, Colo., and Cromer Brokerage Co., Salt Lake City, Utah.

West Coast Pipe Line Co., Dallas, Tex.
Nov. 20, 1952 filed $29,000,000 12-year 6% debentures due Dec. 15, 1964, and 580,000 shares of common stock (par 50 cents) to be offered in units of one $50 debenture and one share of stock. **Price**—To be supplied by amendment. **Proceeds**—From sale of units and 1,125,000 additional shares of common stock and private sales of $55,000,000 first mortgage bonds to be used to build a 1,030 mile crude oil pipeline. **Underwriters** — White, Weld & Co. and Union Securities Corp., both of New York. **Offering**—Postponed indefinitely.

West Coast Pipe Line Co., Dallas, Tex.
Nov. 20, 1952 filed 1,125,000 shares of common stock (par 50 cents). **Price**—To be supplied by amendment. **Proceeds**—Together with other funds, to be used to build pipeline. **Underwriters**—White, Weld & Co. and Union Securities Corp., both of New York. **Offering**—Postponed indefinitely.

West Ohio Gas Co., Lima, Ohio
May 10 (letter of notification) 22,386 shares of common stock (par $5), to be offered to common stockholders of record May 15 in the ratio of one new share for each 15 shares held. **Price**—$10 per share. **Proceeds**—For general corporate purposes. **Office** — 319 West Market St., Lima, Ohio. **Underwriter**—None.

★ Western Finance Co., So. Sioux City, Neb.
June 7 (letter of notification) $100,000 of 10-year 5% subordinated debentures. **Price**—At par. **Proceeds**—For working capital. **Office**—2008 Dakota Ave., South Sioux City, Neb. **Underwriter**—None.

★ Western Gold & Uranium, Inc., Leeds, Utah
June 11 (letter of notification) 44,000 shares of common stock (par 10 cents). **Price**—At market. **Proceeds**—For mining expenses. **Offices**—Leeds, Utah, and 42 Broadway, New York, N. Y. **Underwriter**—G. C. Haas & Co., New York.

Western Plains Oil & Gas Co. (6/28)
May 24 filed 100,000 shares of common stock (par $1). **Price**—$4.75 per share. **Proceeds**—To redeem 1,250 outstanding preferred shares ($125,000), to repay bank loan, etc. ($2,500); for purchase or acquisition of additional mineral interests, leases and royalties in the United States and Canada and for other corporate purposes. **Office**—Glendive, Mont. **Underwriter**—Irving J. Rice & Co., St. Paul, Minn.

★ Wheeler Timber Co., Seattle, Wash.
June 14 (letter of notification) 1,500 shares of common stock. **Price**—At par ($100 per share). **Proceeds**—For purchase of properties. **Office**—545 Henry Bldg., Seattle 1, Wash. **Underwriter**—None.

Williston Basin Oil Ventures, Inc. (7/1)
May 20 (letter of notification) 2,500,000 shares of common stock (par one cent). **Price**—Two cents per share. **Proceeds** — For exploration costs. **Office** — 420 Fidelity Bank Bldg., Oklahoma City, Okla. **Underwriter**—Tellier & Co., Jersey City, N. J.

Wisconsin Southern Gas Co., Inc.
May 27 (letter of notification) 12,618 shares of common stock (par $10) being offered to common stockholders of record June 1, 1954, on the basis of one new share for each five shares held (with an oversubscription privilege); rights to expire on July 1. **Price**—$11 per share. **Proceeds**—To redeem collateral trust bonds. **Office**—235 Broad Street, Lake Geneva, Wis. **Underwriter**—None.

★ Wright Line, Inc., Worcester, Mass.
June 18 (letter of notification) 6,700 shares of common stock, class B, to be offered for subscription of employees on or before Dec. 31, 1954. **Price**—$5.25 per share. **Proceeds**—For working capital. **Office**—100 Exchange St., Worcester, Mass. **Underwriter**—None.

Wyoming Oil & Exploration Co., Las Vegas, Nev.
April 29 filed 500,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For exploration and development of oil and gas properties. **Underwriter**—None.

Wyton Oil & Gas Corp., Newcastle, Wyo.
April 20 filed 1,000,000 shares of common stock (par $1). **Price**—$1.12½ per share. **Proceeds**—For general corporate purposes. **Underwriter** — National Securities Corp., Seattle, Wash., on a "best efforts basis."

Prospective Offerings

American Natural Gas Co.
April 28 stockholders approved a proposal to increase the authorized common stock from 4,000,000 to 5,000,000 shares to enable the company to sell additional shares when necessary. Offering will probably be made to present stockholders. **Proceeds**—To subsidiaries for their construction programs. **Underwriter**—None.

Arkansas Louisiana Gas Co.
Feb. 22 it was reported Cities Service Co. may sell its holdings of 1,900,000 shares of this company's stock. If sold at competitive bidding, bidders may include Smith, Barney & Co. and Blyth & Co., Inc. (jointly).

Arkansas Power & Light Co. (8/24)
Feb. 8 it was reported company plans to sell, probably in August, an issue of about $7,500,000 first mortgage bonds due 1984. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Lehman Brothers, Stone & Webster Securities Corp. and White, Weld & Co. (jointly); Blyth & Co., Inc., Equitable Securities Corp. and Central Republic Co. Inc. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly). **Bids**—Expected about Aug. 24.

Boston Edison Co. (7/26)
May 24 company sought permission of Massachusetts Department of Public Utilities to issue and sell $18,000,000 of first mortgage bonds due 1984. **Proceeds** — For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Lehman Brothers; Kuhn, Loeb & Co. and A. C. Allyn & Co. Inc. (jointly); White, Weld & Co., Harriman Ripley & Co. Inc. **Bids**—Tentatively expected on July 26. Stockholders will vote on June 30 on approving bonds issue.

Central Illinois Electric & Gas Co.
Dec. 9 it was announced company intends to offer and sell around the middle of 1954 an issue of $4,000,000 first mortgage bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp.; Kidder, Peabody & Co. and White, Weld & Co. (jointly).

★ Chicago, Milwaukee, St. Paul & Pacific RR. (7/8)
Bids will be received by the company at Room 744, Union Station Bldg., Chicago 4, Ill., up to noon (CDT) on July 8 for the purchase from it of $5,100,000 equipment trust certificates, series SS, to be dated July 1, 1954, and to mature in 30 equal semi-annual instalments of $170,000 each from Jan. 1, 1955 to July 1, 1969, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Blair, Rollins & Co. Inc.

City Title Insurance Co., N. Y. C.
May 20, it was announced that company is planning to issue and sell not to exceed $1,000,000 of new preferred stock. **Proceeds**—For working capital. **Underwriter**—Chilson, Newberry & Co., Inc., Kingston, N. Y.

Colorado Interstate Gas Co. (7/21)
June 8 it was announced stockholders will vote July 8 on increasing the authorized preferred stock from 200,000 shares to 500,000 shares (par $100). It is reported that company has announced plans to market some $11,000,000 of preferred stock and $30,000,000 of new bonds, which are likely to go into registration within the next fortnight. **Underwriter**—If through negotiation, may be Dillon, Read & Co., New York.

Colorado-Western Pipeline Co.
March 5 it was announced company has applied to Colorado P. U. Commission for authority to build a $21,500,000 natural gas pipe line, in Colorado, to be financed through sale of about 70% of bonds and 30% of equity capital. John R. Fell, a partner of Lehman Brothers, is a Vice-President.

Columbia Gas System, Inc.
March 5 it was announced company plans to issue and sell later this year $40,000,000 additional senior debentures (in addition to $40,000,000 debentures due 1979 for which bids are expected to be received on June 28—see a preceding column under "Securities Now in Registration"). **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.

Consolidated Gas Electric Light & Power Co. of Baltimore
May 26 it was reported company plans, following settlement of rate case, to issue and sell from $15,000,000 to $25,000,000 of new securities. **Underwriter**—For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and The First Boston Corp. (jointly); Kuhn, Loeb & Co.; Harriman, Ripley & Co. Inc. and Alex. Brown & Sons (jointly).

Cott Beverage Corp.
May 5 it was reported 160,000 shares of common stock are to be publicly offered—100,000 shares for account of company and 60,000 shares for selling stockholders. **Price**—In neighborhood of $10 per share. **Proceeds**—For general corporate purposes. **Underwriter**—Ira Haupt & Co., New York. **Registration**—Expected in June, 1954.

Daystrom, Inc.
June 14 it was announced stockholders will vote June 28 on approving a proposal to permit the issuance of convertible debentures at the discretion of the board of directors, and on authorizing an issue of 200,000 shares of cumulative preferred stock (no par) and on increasing the authorized common stock (par $10) from 1,250,000 shares to 2,000,000 shares.

First National Bank of Toms River, N. J.
May 14 stockholders of record May 1, 1954 were given the right to subscribe for an additional 3,000 shares of capital stock (par $10) on the basis of one new share for each 26 shares held; rights to expire on June 16. **Price**—$50 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—None.

First Trust & Deposit Co., Syracuse, N. Y.
June 2 it was announced company is offering to its common and class B preferred stockholders of record June 1 the right to subscribe on or before June 22 for 254,316 shares of new 5% convertible preferred stock on the basis of one share for each 10 shares of common or class B preferred stock held. **Price**—At par ($20 per share). **Proceeds**—From this sale, together with proceeds from private sale of $5,000,000 5% debentures, to retire $8,996,400 of class A preferred stock held by Reconstruction Finance Corporation. **Underwriter**—William N. Pope, Inc., Syracuse, N. Y.

Florida Power Corp.
March 27, it was announced that the company plans new financing late this summer which would require issuance of common stock and probably $10,000,000 of bonds. **Proceeds** — For new construction. **Underwriters** — For common stock (first to common stockholders), Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly). For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Lehman Brothers; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly). Common stock was increased by stockholders on March 25 from 2,500,000 shares to 5,000,000 shares, and the preferred stock from 250,000 shares to 500,000 shares.

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★ Food Fair Stores, Inc.
June 18 it was announced stockholders will vote Aug. 24 on increasing the authorized indebtedness from $25,000,000 to $35,000,000. In February, 1953, a $12,500,000 4% debenture issue was sold through Eastman, Dillon & Co., New York. **Proceeds** — To refinance $12,500,000 outstanding 4% sinking fund debentures due Feb. 1, 1973, and for expansion.

★ General Beverage Canning Co. of Florida
June 15 it was reported company plans to issue and sell 300,000 shares of common stock. **Price**—$1 per share. **Underwriters** — Roman and Johnson, Fort Lauderdale, Fla., and possibly Aetna Securities Corp., New York.

★ General Beverage Canning Co. of Tennessee
June 15 it was reported company plans to sell around 300,000 to 400,000 shares of common stock. **Price**—$1 per share. **Underwriter** — Elder & Co., Chattanooga, Tenn.

★ Great Northern Paper Co.
June 18 it was announced stockholders on July 12 will vote on authorizing an issue of preferred stock.

Green River Steel Corp.
June 9 it was reported company is planning to issue and sell $2,000,000 of 15-year first mortgage convertible bonds. **Underwriter**—Equitable Securities Corp., Nashville, Tenn.

Indiana & Michigan Electric Co.
Jan. 27 it was announced company plans to sell around November, 1954, an issue of about $16,500,000 first mortgage bonds due 1984 and 40,000 shares of cumulative preferred stock (par $100). **Underwriter** — To be determined by competitive bidding. Probable bidders: (1) For bonds—Halsey, Stuart & Co. Inc.; Union Securities Corp., Goldman, Sachs & Co. and White, Weld & Co. (jointly); The First Boston Corp.; Harriman Ripley & Co. Inc.; Kuhn, Loeb & Co.; (2) for preferred—The First Boston Corp.; Smith, Barney & Co.; Lehman Brothers; Union Securities Corp.

Kansas City Power & Light Co.
March 8 it was announced that company may sell in the latter part of 1954 $16,000,000 first mortgage bonds. **Proceeds** — To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Bear, Stearns & Co. (jointly); Kuhn, Loeb & Co., Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Glore, Forgan & Co.; Blyth & Co., Inc and The First Boston Corp. (jointly); White, Weld & Co and Shields & Co. (jointly); Harriman Ripley & Co., Inc. Equitable Securities Corp. **Meeting**—Stockholders on April 27 aprpoved new financing.

★ Kentucky Utilities Co.
June 21 it was reported company plans to issue and sell $15,000,000 first mortgage bonds, series F. **Underwriter** —To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co. Inc.; The First Boston Corp. and Lehman Brothers (jointly); Union Securities Corp. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Blyth & Co., Inc.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Equitable Securities Corp. **Bids** — Expected to be received in October or November.

★ Kentucky Utilities Co.
June 21 it was reported company plans to issue and sell to its common stockholders some additional common stock, either on a 1-for-9 or an a 1-for-10 basis. At April 30, 1954, there were outstanding 2,286,784 shares. **Underwriters**—Previous common stock offering, in April, 1953, was underwritten by Blyth & Co., Inc. and J. J. B. Hilliard & Sons and associates.

Long Island Lighting Co.
April 20 it was announced company plans later in 1954 to issue $20,000,000 mortgage bonds. **Proceeds** — To finance construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; W. C. Langley & Co.; Blyth & Co., Inc. and The First Boston Corp. (jointly); Smith Barney & Co.

Louisville & Nashville RR.
Nov. 12 it was reported that the company may issue and sell an issue of bonds late in 1954. **Proceeds**—To retire $24,610,000 Atlanta, Knoxville & Cincinnati Division 4% bonds due May 1, 1955, and for general corporate purposes. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; White, Weld & Co. and Salomon Bros. & Hutzler (jointly).

★ Mercantile National Bank of Dallas, Texas
June 16 it was announced bank plans to offer to its stockholders after June 30, 1954, 175,000 additional shares of capital stock (par $10). **Price** — $22.50 per share. **Proceeds**—To increase capital and surplus. **Underwriters** — Previous offering was underwritten by Rauscher, Pierce & Co. and First Southwest Co., both of Dallas, Texas.

Metropolitan Edison Co.
Dec. 16 it was reported company may sell in 1954 about $3,500,000 first mortgage bonds due 1984. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Kidder, Peabody & Co and Drexel & Co. (jointly); Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly).

Minneapolis, St. Paul & Sault Ste. Marie RR. (7/7)
Bids will be received by the company up to noon (CST) on July 7 at First National-Soo Line Bldg., Minneapolis 2, Minn., for the purchase from it of $1,950,000 equipment trust certificates, series B, to be dated Aug. 1, 1954, and to mature in 30 equal semi-annual installments to and including Aug. 1, 1969. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Blair, Rollins & Co. Inc.

Montana-Dakota Utilities Co.
March 17 it was reported that company plans to issue and sell late this year some additional first mortgage bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co Inc.; Blyth & Co., Inc., White, Weld & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Blair, Rollins & Co. Inc.

★ Mountain States Telephone & Telegraph Co.
June 16 it was reported company plans to issue and sell $20,000,000 of debentures. **Proceeds** — For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Dean Witter & Co. and Drexel & Co. (jointly); Morgan Stanley & Co. **Bids** — Expected to be received somtime in August.

National Fuel Gas Co.
April 1 it was reported company plans to offer about 400,000 shares of capital stock (no par) for subscription by stockholders later this year or early next year. Stockholders on April 29 approved a proposal to increase the authorized capital stock from 4,000,000 to 6,000,000 shares. **Proceeds**—For new construction. **Underwriter**—Dillon, Read & Co., New York, handled secondary offering in 1943.

● New England Electric System (9/28)
April 29 it was announced company plans to offer to its common stockholders next Fall additional common stock on a 1-for-10 basis. There are outstanding 9,108,824 common shares. **Proceeds** — For construction program of subsidiaries. **Underwriters** — To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc., Lehman Brothers and Bear, Stearns & Co. (jointly); Carl M. Loeb, Rhoades & Co., Ladenburg, Thalmann & Co. and Wertheim & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly). **Bids**—Tentatively expected to be received on Sept. 28.

New Jersey Power & Light Co.
Dec. 16 it was reported this company tentatively plans issue and sale in 1954 of about $3,000,000 first mortgage bonds due 1984. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Lehman Brothers (jointly); Equitable Securities Corp.; Union Securities Corp. and White, Weld & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane.

New Orleans Public Service Inc.
Feb. 8 it was reported company plans to offer for sale $6,000,000 of first mortgage bonds due 1984 late this year. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Union Securities Corp. and Harriman Ripley & Co. Inc. (jointly); Lehman Brothers; Kidder, Peabody & Co. and Stone & Webster Securities Corp. (jointly); The First Boston Corp.; White, Weld & Co.

New York, New Haven & Hartford RR.
May 26 it was reported company will offer and sell $6,600,000 equipment trust certificates due Jan. 1, 1955 to 1969, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Blair, Rollins & Co. Inc.

Northern Pacific Ry.
June 14 it was reported that company may consider a refunding program in September. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Blyth & Co., Inc.

Northern States Power Co. (Minn.)
Feb. 8 it was reported company is planning the issuance and sale of approximately $20,000,000 of first mortgage bonds due 1984 in October of 1954. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Riter & Co. (jointly); Smith, Barney & Co.; Glore, Forgan & Co.; Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly); Equitable Securities Corp. and Union Securities Corp. (jointly); Kuhn, Loeb & Co., A. C. Allyn & Co. Inc. and Wertheim & Co. (jointly).

● Pacific Power & Light Co. (8/16)
May 25 it was reported company may issue and sell about $30,000,000 of new bonds later this year. **Proceeds** —To refund all outstanding Mountain States Power Co. (merged with Pacific Power & Light Co. debt and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. and White, Weld & Co. (jointly); Kidder, Peabody & Co.; Union Securities Corp.; Lehman Brothers, Bear, Stearns & Co. and Salomon Bros. & Hutzler (jointly). **Bids**—Expected to be received on or about Aug. 16.

Pembina Pipe Line Co. (Canada)
April 14 it was announced company has been granted the right to obtain a permit to build a 72-mile pipe line to transport crude oil from the Pembina Oil Field in Alberta to Edmonton. Financing will be handled jointly by Mannix Ltd. of Calgary, Dome Exploration (Western) Ltd. of Toronto, and Carl M. Loeb, Rhoades & Co. of New York.

● Pioneer Natural Gas Co. (7/7)
June 14 it was reported holdings of 767,721 shares of this company's capital stock (par $7.50) will soon be sold by Sinclair Oil Corp. **Bids**—To be received by 11 a.m. (EDT) on July 7. The issue will not be sold publicly but will be offered to a limited number of prospective purchasers.

Public Service Co. of Colorado
April 12 it was reported company plans to finance its 1954 construction program through temporary bank loans, with permanent financing delayed until later in the year. Previously, the company had planned to float an issue of $15,000,000 first mortgage bonds, due 1984, early in 1954. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc., Kuhn, Loeb & Co.; The First Boston Corp.; Harris, Hall & Co. Inc.; Harriman Ripley & Co., Inc. and Union Securities Corp. (jointly); Lehman Brothers; Kidder, Peabody & Co.; Blyth & Co., Inc. and Smith, Barney & Co. (jointly).

Public Service Co. of New Hampshire
May 7 preferred stockholders approved a proposal to increase the authorized preferred stock from 160,000 shares to 300,000 shares, of which it is planned to issue not in excess of 75,000 shares. **Proceeds**—To refund outstanding 50,000 shares of 5.40% preferred stock and for new construction. **Underwriter**—If through competitive bidding, bidders may include Kidder, Peabody & Co. and Blyth & Co., Inc. (who made the only bid in June, 1952, for the 5.40% issue, which was rejected); R. W. Pressprich & Co. and Spencer Trask & Co. (who were awarded that issue in July, 1952, on a negotiated basis.

Resources of Canada Investment Fund, Ltd.
April 27 the SEC authorized the company to register as an investment concern and to make a public offering of securities in the United States.

Ritter Finance Co.
June 8 it was announced stockholders will on Aug. 17 vote on increasing the authorized preferred stock (par $50) from 14,000 shares to 50,000 shares, and the authorized class B common (par $1) from 950,000 shares to 2,000,000 shares. **Underwriter**—Stroud & Co., Inc., Philadelphia, Pa.

Rochester Gas & Electric Corp.
May 17 it was reported company may issue and sell this year some additional bonds and preferred stock. **Proceeds** — For new construction. **Underwriters** — (1) For bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Salomon Bros. & Hutzler; Shields & Co.; Blyth & Co., Inc.; The First Boston Corp.; Union Securities Corp. and Equitable Securities Corp. (jointly). (2) For preferred stock, The First Boston Corp.

Rockland Light & Power Co.
April 1, Rockwell C. Tenney, Chairman of the Board, announced that the 1954 construction program, estimated at $14,000,000, will require further financing. Common stock financing to stockholders in 1953 was underwritten by Merrill Lynch, Pierce, Fenner & Beane. An issue of $8,000,000 bonds were also sold last year at competitive bidding, with the following making bids: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Kuhn, Loeb & Co.; Stone & Webster Securities Corp.; The First Boston Corp. and Salomon Bros. & Hutzler (jointly); Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane.

San Diego Gas & Electric Co.
April 28 it was reported company plans to offer late in 1954 (probably first to stockholders) 800,000 shares of additional common stock. **Underwriter** — Blyth & Co., Inc., San Francisco and New York.

St. Joseph Light & Power Co.
March 30, C. A. Semrad, President, announced that the company may raise new money this year through the sale of $1,000,000 first mortgage bonds or from temporary bank loans for its 1954 construction program, which, it is estimated, will cost $1,661,000. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Smith, Barney & Co., and Glore, Forgan & Co. (jointly); Union Securities Corp.; White, Weld & Co.; Equitable Securities Corp.

Scott Paper Co.
April 27 stockholders approved proposals which increased the authorized common stock from 5,000,000 to 10,000,000 shares and the authorized indebtedness of the company from $25,000,000 to $50,000,000. The company has no specific financing program. **Underwriters**—Previous offering of $24,952,800 3% convertible debentures, in September, 1953, was underwritten by Drexel & Co., Smith, Barney & Co. and Merrill Lynch, Pierce, Fenner & Beane.

Southern California Edison Co.
June 4, Harold Quentin, President, may sell later this year $25,000,000 of bonds or preferred stock. **Proceeds**—For construction program. **Underwriters** — (1) For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Blyth & Co., Inc.; The First Boston Corp. and Dean Witter & Co. (jointly). (2) For preferred stock, previous financing was handled by The First Boston Corp. and Dean Witter & Co. (jointly).

★ Standard Coil Products Co.
June 21 it was reported an issue of about 200,000 shares of common stock will be registered with the SEC. **Price** —To be named later. **Proceeds**—To selling stockholders. **Underwriters**—A. C. Allyn & Co. Inc. and Dempsey & Co., both of Chicago, Ill.

Tennessee Gas Transmission Co.
May 24 it was reported company plans issuance and sale of $20,000,000 of debentures later in 1954 (in addition to $25,000,000 bonds filed May 26 with SEC). **Proceeds**—For new construction. **Underwiters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp. and White, Weld & Co. (jointly).

Trans-Canada Pipe Lines, Ltd.
March 26 it was annouced that the cost of the building of the proposed cross-Canada gas pipeline would be approximately $292,000,000, which would be financed through the issuance of about $36,500,000 each of common stock and debentures and $219,000,000 of first mortgage bonds. **Underwriters**—Lehman Brothers and Wood Gundy & Co., Inc., both of New York.

Transcontinental Gas Pipe Line Corp.
March 16 it was reported company plans later this year to do some permanent financing to repay temporary bank loans necessary to pay for new construction estimated to cost about $11,000,000 for 1954. **Underwriters**—White, Weld & Co. and Stone & Webster Securities Corp., both of New York.

Tri-Continental Corp.
March 30 stockholders voted to reclassify 500,000 shares of presently authorized but unissued $6 cumulative preferred stock, without par value, into 1,000,000 shares of a new class of preferred stock, $50 par value, making possible a refunding of the outstanding $6 preferred stock at an appropriate time, when conditions warrant. **Underwriter**—Union Securities Corp., New York.

Ultrasonic Corp.
May 17 it was reported company plans to offer some new securities to provide working capital. Details not yet available.

Welex Jet Services, Inc.
June 14 it was reported company may in September announce plans to issue and sell additional common stock to stockholders. **Underwriter**—If underwritten, it may be Laird & Co., Wilmington, Del. Two previous offerings to stockholders were not underwritten.

West Coast Transmission Co.
Oct. 14, 1953, it was announced company now plans to issue $29,000,000 in 1-to-5½-year serial notes; $71,000,000 in 20-year, first mortgage bonds; and $24,440,000 in subordinated long-term debentures and 4,100,000 shares of common stock to be sold to the public. **Proceeds**—To finance construction of a natural gas pipe line from the Canadian Peace River field to western Washington and Oregon. **Underwriter**—Eastman, Dillon & Co., New York.

Western Pacific RR. Co.
June 4 it was announced stockholders will vote June 30 on approving a proposal to allow company to sell first and refunding bonds without obtaining approval of preferred stockholders. It is planned to issue and sell $6,500,000 of these bonds. **Proceeds**—To reimburse company for capital expenditures already made and for future improvements. **Underwriters** — May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp. and Glore, Forgan & Co. (jointly); Blyth & Co., Inc.; Lehman Brothers and Bear, Stearns & Co. (jointly).

Our Reporter's Report

If the investment world and the banking fraternity had any lingering doubts about the Administration's monetary policy these must have been swept away by this week's action of the Federal Reserve Board in reducing the amount of required reserves which member banks must maintain.

Reports had been current from time to time that such action was in the cards, especially since the lowering of central bank rediscount rates some weeks ago. The latest move, however, is more positive, since it frees up reserves and tends to create a disposition on the part of banks to put the funds so loosened to work.

Of course, it is recognized that the basic consideration behind the Reserve's action is to clear the way for whatever refinancing or new financing the Treasury may have to undertake in the months ahead.

True, the release of an estimated $1.5 billion from such reserves, creating the basis for roughly six times that amount of credit, could spur commercial demand.

But it must be remembered that since the turn of the year, commercial borrowers have been reducing their indebtedness on balance almost from week to week. The fall may bring a turn in the situation, but as far as business borrowings are concerned, it seems that the banks are in a position to take care of a substantial expansion in such demands. Main emphasis behind the action is viewed broadly as the Treasury's potential needs.

Push Other Outlets

The recent flurry of buying by insurance companies which helped no end to clear away corporate issues that had been accumulating on the shelves of underwriters and dealers apparently did not indicate any real change of ideas in the latter quarters.

On the contrary, the chief complaint of new issue distributors at the moment is found in the aloofness of portfolio managers for such institutions. They just don't show any lasting interest in new offerings.

Rather their strong forte is still the mortgage market plus private deals which they are able to negotiate. Latest of these, it appears is a $25,000,000 issue of notes of Carrier Corp., placed only the other day.

New Issues Lag Again

Perhaps as the significance of the cut in banks' reserve requirements sinks in, meaning as it does pressure for easier money, investors may be forced to revise their ideas on pricing and yields.

But for the moment there is still resistance to the basis of return fixed currently on new corporate offerings. That was evidenced this week as the latest batch of new issues was reported a bit on the laggard side.

Even the pipe line securities, which have been finding popular appeal right along, were said to be a trifle slower in moving.

RFC's Holdings of B. & O.

Scheduled to go out of business shortly by Congressional edict, the Reconstruction Finance Corp., appears finally to have worked out a deal for the sale of its holdings of $65,000,000 collateral bonds of the Baltimore & Ohio Railroad which it has held for many years.

This involves the equivalent of another private placement, with a group of large insurance companies reportedly having agreed to take the bonds under a plan worked out by investment bankers.

Although the details were not immediately available, it was conjectured that the price which RFC appears currently likely to realize, will be substantially better that the bid of 85½ which it turned down several months ago.

Bankers Offer Pfd. Stk. of Maine Utility

Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. and associates are offering 40,000 shares of $50 par value 4.75% preferred stock of Maine Public Service Co. at $50 per share.

Proceeds from the sale of these shares will be used in part for redemption of all the company's outstanding shares of 5½% preferred stock at a redemption cost of approximately $1,240,000. The balance will be applied toward the partial payment of its outstanding short-term bank loans, incurred for construction requirements, expected to aggregate $800,000 by July 1, 1954.

The new preferred stock will be redeemable at prices ranging from $52.40 to $51.00 per share, plus accrued dividends in each case.

Maine Public Service Co. is principally engaged in the generation, purchase, and sale of electricity. It serves an area about 120 miles long and 30 miles wide in Aroostook and Penobscot Counties in northeastern Maine adjacent to the Canadian border. Population of the territory served is estimated at 98,582. **A subsidiary, Maine and New Brunswick Electrical Power Co., Ltd., is primarily a hydro generating company which operates the Tinker hydro plant in New Brunswick, Canada and sells to the company the major portion of the power which it generates.**

Other members of the offering group include—Hayden, Stone & Co.; Hornblower & Weeks; Lee Higginson Corp.; Laurence M. Marks & Co.; H. M. Payson & Co.; G. H. Walker & Co.; and Ira Haupt & Co.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—There are two ways of looking at the Federal Reserve Board's announcement of Monday cutting required member bank reserves by $1.5 billion between that day and the end of July.

One approach is that it represents an anticipation of things to come and an ample notice to the nation's credit system that under the current policy of "active ease" there will be plenty of bank credit available for those things to come.

It is anticipated that perhaps around the end of July, when the cut in reserve requirements becomes fully effective, that the Treasury will be in the market for around $2 billion, more or less, of new funds. Between July 1 and Dec. 31, because of the concentration of corporation income taxes in the first half of the calendar year, the Treasury guesses it will need to borrow some $10 billion of new money to meet cash requirements during that period.

There never has been any doubt among observers that the monetary authorities, in view of the delicate balance of the business situation, would allow any substantial part of that $10 billion—or even the first installment of around a couple of billions—to compete with business demands for loanable funds.

Hence it has been taken for granted that when the Treasury entered the market for new money, the Reserve would see, in effect, that it was freely available. This gives the Federal Reserve announcement a timing pitch. Instead of waiting for the financing announcement possibly four or five weeks hence, the Federal Reserve has announced in advance to banks, and business, in effect, "you don't need to worry about the Treasury borrowing, for we have already taken care of that."

The other thing to come which is anticipated in the early announcement of a cut in reserves is the prospective seasonal rise in demand for bank credit. On the books of the Federal Reserve members, this seasonal rise had not appeared at the time of the announcement.

Forced Easing

Hence the Federal Reserve, by announcing reserve requirement cuts on June 21, in effect had given its judgment that a seasonal rise in business demand for credit was in store.

If not, then the interpretation which would be placed by the monetary world upon the Federal Reserve's action was that it was trying to follow the old policy prior to the Treasury-Federal Reserve accord of March 4, 1951, of "forcing" lending by making possible a surfeit of credit at bargain rates.

In any case, whatever is the rationalization of the monetary authorities for their action, the lay world is likely to view the Federal Reserve action as along the line of trying to force business borrowing and a business upturn by making money both plentiful and cheap. This interpretation is more likely in view of the published reports that the Eisenhower Administration was pressing upon the Reserve Board the adoption of a more aggressive policy of money ease for the sake of the business situation.

Open Market Operations Will Tell

If the Federal Reserve does not mean to carry ease to the extreme, it will have an opportunity in subsequent weeks to so demonstrate by buying governments in the open market unless the seasonal demand for bank credit arrives on schedule and in anticipated volume.

Eisenhower Precludes Farm Compromise

President Eisenhower's firm stand against "rigid price supports," in the opinion of farm Congressmen, will work out virtually to foreclose a vigorous attempt on Capitol Hill to work out a compromise on the difficult farm problem.

Despite the play the House Committee on Agriculture got by its tentative decision to extend mandatory farm price supports, there is much more than this to the prospective. House bill (which might even now be be made public in full). The House is trying to combine some flexibility with appeals to special groups so as to work out a "veto proof" farm bill and one that also would save the face of the White House in its all-out alleged stand for flexibility on supports.

However, the President's adamant stand has thrown such confusion into the Senate Committee on Agriculture, where the President's backing is stronger than in the House committee, although it is still less than a majority, that the chances are forlorn that both Houses will be able to agree upon anything like comprehensive farm legislation to submit for either the approval or veto of the President.

If this confusion persists, then the only move left to the high support groups will be a simple resolution continuing the high supports that otherwise would expire at the end of this year. As of now, a sounding on Capitol Hill indicates, such a resolution extending high supports would certainly pass the House, possibly would pass the Senate by a close margin, but certainly would not have the backing to override the veto that the logic of the President's statements indicates.

In such a case the statutory lower, flexible supports would come into operation in 1955 crops according to schedule.

Strategy Confuses

The White House strategy utterly puzzles Congress. Even the President's principal supporters freely admit that the Eisenhower plan for "flexible" supports will not in fact work out to lower the level of actual supports in the next year or so. That is because the President proposes to forget, in effect, present huge government surpluses of farm commodities and treat them as a "strategic reserve." Since the ratio of supports under the President's "flexible" scheme goes up and down according to the supply, if all these reserves on hand vanish for purposes of computation, then the supply is short and this would automatically call for the operation of 90% supports. The plan would be flexible only in name, but rigid in practice.

On the other hand, if there is a resolution to continue 90% supports and it is vetoed, then the possibilities for electing Democrats to the House and Senate from the mid-west, particularly Minnesota, Iowa, and Wisconsin, will be rather bright, for the farming industry will stand out as the one brilliant example of a major pressure group whose government pap has been cut down whilst the President is for extending and enlarging beneficences to many other groups.

Coalition Revives

Very quietly, and behind closed doors, key conservative southern Democrats and leading conservative Republicans have been meeting occasionally for the last three months. This means, in other words, that a limited revival has been made of the conservative coalition which stopped so much radical legislation under Roosevelt and Truman.

Members of this most informal coalition are most reluctant to talk about their activities, but it is reported that the first occasion for their getting together to plan any anti-radical strategy was when it looked like there might be pressure to force the House to accept Alaskan statehood.

President Eisenhower's strong advocacy of the public housing program has most recently revived the coalition. The original action of the House Rules Committee to bar any compromise with the Senate which would approve any public housing, was one of the fruits of the coalition's revival. However, with the President's front rank House leaders backing him in favor of public housing, the Rules Committee reversed itself.

Loosen Credits to Latin America

When the Capehart-Maybank bill has passed both Houses, as it is expected to do, the Export-Import Bank is likely to loosen up on export credits considerably to Latin America, it was explained at the Capitol.

Last year the Eisenhower Administration, under an Executive reorganization, abolished the Ex-Im Bank board and deprived tne institution of its representation on the National Advisory Council on International Monetary and Financial Problems — the Administration committee to coordinate foreign lending with foreign policy.

The new bill exactly repeals, in effect, the Executive order, by giving the Bank back its board, independent status, and place on the National Advisory Council.

It is said that in the intervening year the Treasury, always conscious of its debt position, has been holding down on Ex-Im Bank lending, a restriction which was made possible when the independence of the Bank was abolished.

Senator Capehart's junket to Latin America brought an unanimous complaint that American exports to Latin America were suffering because foreign competitors were getting easy credits with government guarantees and were as a consequence elbowing U. S. exporters out of the market.

The same legislation gives the Ex-Im Bank an additional $500 million of loanable funds and while it is not "earmarked" for Latin America credits, it is understood that most of it will be for this purpose. The proposal has been cleared all through the Eisenhower Administration and with leaders on both sides of the Capitol.

[This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.]

BUSINESS BUZZ

"Room for one more—no, not YOU—HIM!"

Business Man's Bookshelf

Agricultural Price Policy and International Trade — D. Gale Johnson—International Finance Section, Department of Economics and Social Institutions, Princeton University, Princeton, N. J. (paper), copies on request.

Federal Credit and Creditors: who holds the National Debt?—Professor Marshall A. Robinson —Amos Tuck School of Business Administration, Dartmouth College, Hanover, N. H. (paper).

Federal Grant in Aid Programs —Chamber of Commerce of the United States, Washington 6, D. C. (paper), 50c; (lower rates for quantity orders).

National Gypsum: Pattern for Growth — Melvin H. Baker— Newcomen Society in North America, New York, N. Y. (paper).

Bunting Partner in Thackara, Grant Co.

PHILADELPHIA, Pa.—Thackara Grant and Company, dealers in State, Municipal and Revenue bonds, announced yesterday that John B. Bunting has been admitted to partnership in the firm. Mr. Bunting will make his headquarters at the firm's Philadelphia office, 225 South 15th Street.

Martin Boyer Joins Wm. E. Pollock & Co.

Martin Boyer has become associated with the institutional sales department of Wm. E. Pollock & Co., Inc., 20 Pine Street, New York City.

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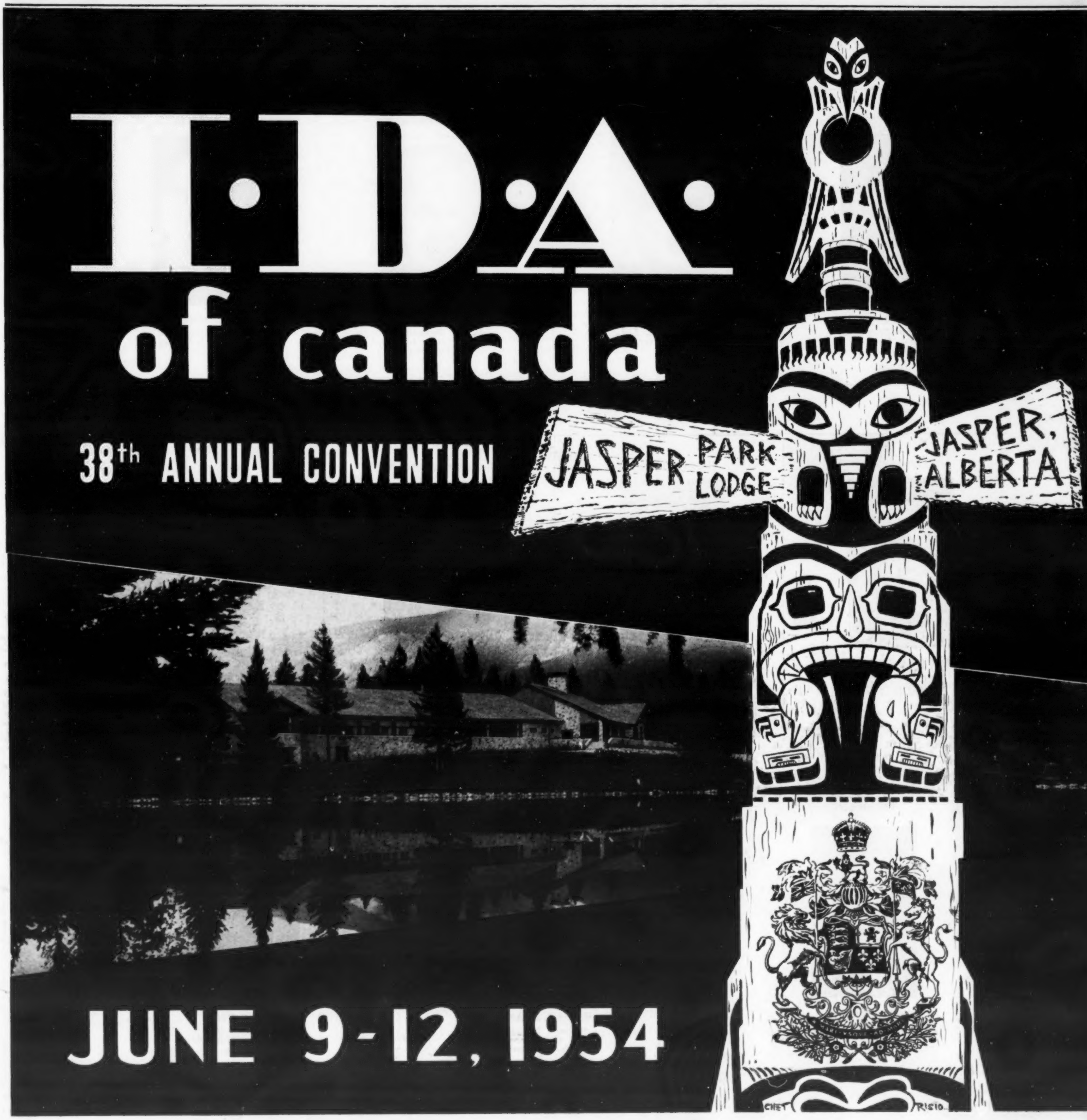

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Economic Trends in Canada

By GERARD GINGRAS*

Retiring President, Investment Dealers' Association of Canada
Assistant President, Rene T. Leclerc, Inc., Montreal, Que.

Though picturing 1953 as the most successful in Canada's history, Mr. Gingras calls attention to a slackening of pace toward the end of the year. In the Canadian investment scene he notes the effect of the return to an easy money policy both in U. S. and Canada, and comments on the success of large financing operations by the Canadian Government and Canadian Pacific Railway. Discusses premium on the Canadian dollar as "a thing of pride and a thing of hardship." Holds, despite large foreign investment in Canada, the trend has been for Canadians to own an increasingly greater share in their own country. Lauds co-operation of Canadian banks with the investment industry.

The Canadian Atmosphere . . . 1953 and the Present

The year 1953 was the most successful in Canada's history. Employment, production and income were at all-time peaks, construction was still booming and though it has since posed a problem, the country was fortunate in having its third successive bumper grain harvest.

Gerard Gingras

While production in certain fields, notably textiles and coal dropped noticeably, steel, newsprint, aluminum, oil, cement and lumber, and such manufactured articles as automobiles, television sets and household appliances set all-time production records. Also during 1953, Canadians spent more, saved more, and invested more than ever before. Total capital expenditures for new construction and equipment were $5.7 billion or 5.1% more than 1952, and once again accounted for well over one-fifth of our entire national output. The year saw an end to many of the inflationary tendencies which had been active since the end of World War II and, without a doubt, 1953 was the best year of the postwar period.

Towards the end of the year, what could be termed a "slackening of pace" in the economy gradually became evident, and as 1953 drew to a close, many thinking Canadians were viewing the new year with searching appraisal and, in some cases, with a degree of apprehension. In the United States, new orders for steel and non-ferrous metals—an indicator of conditions in a great many industries—were sluggish. Inventory accumulation had ceased, and production started to gear itself to current requirements only. In short, supply was catching up with demand, and with demand diminishing, production naturally slackened, bringing about a consequent rise in unemployment.

For Canada, the statistical record as it came to light in late 1953 and early 1954 indicated that our economy was also experiencing some of the recessionary tendencies that had become apparent in the United States and elsewhere. Our exports, which were down in 1953, continued to be a cause of concern. In the final quarter of 1953, exports declined by approximately 9% over the same period in 1952 and in January of this year the trend sharpened, showing a decline of over 17% in value and 15% in volume. Although capital expenditures were high in 1953, it was noticeable that the rate of increase was falling. As in the United States, inventories in Canada were at a high level and unfilled orders on the books of Canadian companies were 27% lower than at the end of 1952. Our labor force numbered 4,962,000 in January, 1954 which was 1% smaller than the previous year, and the number of unemployed was 50% greater than in January, 1953.

This was the gloomy side; but there was a bright side. Many of the indicators of economic activity were well above the level of the year previous. Consumer demand was well up and savings were at the highest level in our history. Department store sales, private and public expenditures for new construction and equipment were still on the rise, and no downward adjustments were expected or anticipated due to scarcity of either materials or investment funds. Housing construction for 1954 is expected to be at the highest level in our history.

The Canadian Investment Scene

Looking at the year 1953 from an investment point of view, the most significant occurrence was the pronounced reversal in the trend of bond prices. This change in trend really began in June, 1953 in the United States. At that time, United States Treasury authorities decided to abandon the hard money policy which had been followed up until that time and to embark on a policy of easier money and credit terms. The two most effective weapons of a central banking authority, namely open market operations and adjustment of the rediscount rate, were put into use and the United States Treasury went into the open market and bought some $1 billion Treasury bonds and at the same time lowered the rediscount rate. As was expected and desired bond prices started up.

Traditionally the difference in yield between long-term U. S. Treasury bonds and long-term Canadian Government bonds has been about one-half of 1%. The effect of Federal Reserve action created an artificially large spread between the two, and during the first few months of this year, the spread had widened, though for a short time only, to almost 1%. By the middle of May, 1954, however, it had narrowed again about one-half of 1%.

The abnormally large yield spread, coupled with the Bank of Canada's decision also to adopt an easy money policy, gradually started Canadian bond prices up in the last few months of 1953.

The reversal of trend was significant, but the magnitude of the swing in bond prices was spectacular, and this can best be illustrated by examples. Last summer at about the weakest point in our market, Government of Canada 3¾% of 1978 were selling as low as 97½. By December, 1953 they were priced at 100⅞ but by the middle of May, the price of these bonds had risen to 107. Since only December of 1953 Canada 3% of 1966 have risen from 94⅛, to yield 3.58%, to 100¼ to yield 2.96%.

Table I showing the sales of new government, municipal and corporation bonds to the end of April, 1954 with comparative figures for 1953 and 1952.

The most obvious and notable fact disclosed by these figures is that thus far in 1954 each category of borrower has been to the market for funds to a much larger extent than in previous years and that to date new issues are almost double those of the comparable period for 1953.

These figures bring out two other very important facts. During my term of office, the Bank of Canada, acting for the Government and the C.N.R., conducted four major and highly successful public financing operations. In the fall of last year $840 million of Canada savings bonds were sold—quite an achievement when one remembers that they can be bought only by individuals, limited to $5,000 each. A "market" issue of $700 million of short-term bonds was also offered in October, 1953. Early in January the C.N.R. raised $200 million in 3¾% of 1974 which now command a substantial premium. And last month, $550 million of short-term Canada's and $300 million 3¼s of 1976 were subscribed in a few days. The call of $1,111,261,650 of Canada 3s of 1957 for redemption on Oct. 1, 1954 was also significant inasmuch as six months' notice was given when only 60 days were required, a quasi-assurance of stability for that period. The refunding of this issue will be the first refinancing operation of the Vic-

Continued on page 21

*Text of Mr. Gingras' report at the 38th Annual Convention of the Investment Dealers' Association of Canada, Jasper, Alberta, June 11, 1954.

Let's Treat Securities as a Commodity

By WILFRID SANDERS*

President, Sanders Marketing Research
Director, Canadian Institute of Public Opinion, Toronto, Can.

Holding securities is a product manufactured by the imagination, resourcefulness and courage of business enterprise, and made ready for packaging and marketing by investment dealers, Canadian marketing analyst traces steps to be taken in marketing and applies these steps to the securities industry. Points out large number of potential investors in Canada have not been reached by investment dealers, and praises sales promotion efforts in industry.

The emphasis in the last decade has been on going out and studying the market (which is always **people**), because of the basic fact that all sales are made in the mind of the consumer. You can talk about the manufacturer, the wholesaler, the jobber, the retailer, as much as you like, but in the long run the consumer, activated by a mind, is KING. The consumer can make or break the manufacturer, the wholesaler, or the retailer.

Wilfrid Sanders

Case Histories: Table salt packaging; margarine wrapping; dated products—wasted dollars because failed to know what was in mind of consumer.

Reverse: Ball point pen.

The odds are that the majority of men in this room are thinking: "Our business is different. You can't apply these yardsticks to investments."

Gentlemen, in 14 years of marketing research, I have never yet had a client who didn't believe that his business was different. So, if you think your business is different, it's at least like other business in **that** respect! In any event, I am going **today** to treat securities as a commodity, a product, which is manufactured by the imagination, resourcefulness, and courage of business enterprise, out of the raw material with which God has provided this country, packaged and made ready for the market by Investment Dealers. You invited me to speak on investment markets, and this is the only approach I can make.

It is true that many of you feel that you are in effect wholesalers, and not interested in the retail market for securities. I suggest this could not be so. Ultimately, your product reaches the general public, whether in the form of insurance policies, bank loans, mortgage money, or salary checks. Whether or not you deal only with institutions, your final market is the general public.

*An address by Mr. Sanders before the 38th Annual Convention of the Investment Dealers' Association of Canada, June 10, 1954.

Four Steps in a Marketing Study

Here then, are the four steps normally taken in any marketing study, and since they form the main skeleton around which I plan to hang the meat of my remarks, I would ask you to take note of them.

(1) Study the product. If you don't know fully what you are selling, you can't sell it. (Rex Dog Food.)

(2) After studying and clearly defining the product, you are in a position to define and locate the market. Who are the logical consumers?

(3) After defining and locating the market, we can study it. What kind of people are they? Where do they live? How do they live? What do they think about you? About your product? What are their prejudices, their ignorances, their needs? How do you get at them with your sales message?

(4) Fourth, and final step is to assess your current product, distribution, and sales effort against the information you have obtained. Have we really studied and discovered its full potentialities? Do we know our market? Is our sales effort hitting the target, or is a lot of it scattering around the target?

Step 1: "Knowing the Product": Here, you certainly are better informed than I am. I don't know how you describe your product, but to me, as an outsider, I would say that you are selling two things:

(1) You are selling participation in Canada's growth, an equity in this country's business and industrial development. You are selling protection of income, and income itself.

(2) In addition to the above, and as part of the above, you are selling a service. Yours is a business with professional characteristics, requiring skilled technical knowledge in its own field, just as important as technical knowledge in Law, Medicine, or Engineering.

So, when we come to talk about the market, and to assess what you are doing, we will have to bear in mind that you have two things to sell—a product, and a service, based on technical knowledge. In this respect, your business **is** different from **some** others, in the same way that the automobile business is different, in the retail field, from that of a grocer. A grocer is not expected to do much by way of servicing the prunes he sells you.

All this is very general, and it is so of necessity. Each issue, each certificate, is a product in itself, and the variety of your products is legion. I want to say a few things about what your product is not, but will save that until we get to point IV.

Step 2: "Defining and Locating the Market": In collecting data on your market, I frankly ran up against what to me was a surprising lack of reliable information. As far as I have been able to ascertain, no research has been done on a national scale in Canada aimed at defining the market for investment securities, comparable, say, to the study done in United States by the Brookings Institution a few years ago. Even though there is considerably more information about the securities market in United States than there is in Canada, the report of Stewart Dougall and Associates to the New York Stock Exchange (probably familiar to you) states:

"It must be recognized that in spite of the numerous investigations which have been made in the past, they by no means contain all the facts desirable about the public's experience with, and attitude toward stock market dealings. **There are exasperating vacuums in information essential for drawing direct conclusions from a merchandising viewpoint.**"

That comment, gentlemen, goes double in spades, for Canada.

In the face of this absence of data, I used the facilities of our organization to collect a few basic facts about the public's reaction to the securities market, for my talk this morning. This was done on a full-scale national basis, through the Gallup Poll. It has not yet been published, as I obtained the final figures from our statistical department on the day I left Toronto. Interviewing for this poll was done in all areas of Canada, from Newfoundland to Vancouver Island.

But before I give you the findings from this study, perhaps we'd better dispose of one thing. It may seem to you that the obvious way of arriving at the potential market for securities is to look at bank deposits. You might quote the fact that demand deposits in Canada have increased from \$2.360 billion as of Sept. 30, 1948, to \$3.149 billion at the same date last year. This is an increase in demand deposits in five years of 33%. The actual number of such deposits has increased in the same five-year period from 945,000, to 1,182,000, an increase of 25%. These are impressive figures, and undoubtedly give us an indication of **part** of the market. But I suggest this is not the whole story. Thousands and thousands of Canadians have, literally, no bank savings at all, and yet enjoy a high standard of living. Some of these most certainly have their values mixed, and are spending on consumer goods what properly belongs to building up an investment portfolio. From the other side of the coin, you will agree, I think, that many of the bank deposits have a legitimate reason for being there. If you try awfully hard, you may be able to agree to that last statement.

In any event, if you think about it at all, you will see why bank deposits are not the answer to the question: "How big is the untapped market for securities?" and why it is worth going further afield, as we did in this national study.

Securities Holders in Canada

The question our interviewers asked adult Canadians was worded like this: "I'd like to ask you some questions about investments. Have you **ever** bought any stocks or bonds?"

I don't want to throw a lot of statistics at you today, but here are a few highlights from the results:

55% of the total population had never bought any stocks or bonds.

82% of the population had never bought stocks.

64%—nearly two-thirds—had never bought any bonds.

We found the highest proportion of non-purchasers in the Maritimes, lowest on the Prairies —not, interestingly enough, Ontario.

Now some of you may be thinking that this 55% figure, representing those who have never bought either stocks or bonds, also represents the segment of the population which is financially unable to invest in securities, and can therefore be ignored. But wait a minute. Let's take these people who have never invested in their lives, as a group. Analysis shows that 59% of them were classified by our interviewers as in the lowest income group; 29% were in the middle income group, and 12%, more than one in 10, were in the upper. This means several things; among them, that some low income families can and do invest their savings in securities. If, to take entirely ar-

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Investment Policies of Canadian Life Companies

By P. S. BOWER*

Assistant General Manager & Treasurer,
The Great-West Life Assurance Co., Winnipeg, Canada

Canadian insurance executive, after commenting on close relationship of insurance companies and investment dealers, reviews investment policies of Canadian life companies. Points out government policy will always exercise a major influence on investment operations of insurance companies, and the Bank of Canada, by its actions affecting interest rates, frequently influences how life companies' funds are employed. Discusses classes of securities held by Canadian life companies, and takes up question of common stock investments. Concludes, so long as companies are compelled to guard themselves against wide market fluctuations, there will be relatively little investment by them in stocks. Reviews situation of Canadian municipal issues.

P. S. Bower

Life insurance companies and investment dealers have an important part in the highly developed mechanisms of our modern economy. In Canada, over five million policyholders are contributing, through their thrift, to the protection of themselves and their families, but are also assisting in making available a vast pool of capital for the financing of homes, businesses, schools, local improvements, and the development of our natural resources.

I should like to talk about this with you this morning in a more general way than the subject originally suggested to me — my remarks being in the nature of observations on the development of investment policy by insurance companies, because much of our flow of investment funds is placed in bonds, debentures or stocks through the offices of your members. The balance is almost entirely placed in mortgages directly by the companies.

By the beginning of this year, Canadian assets of Canadian life insurance companies doing business in Canada amounted to $3,446 million, diversified as follows:

Bonds—Dominion Govts.	19%
Provincial Govts.	7%
Municipals	7%
Corporates	22%
Stocks	2%
Mortgages	32%
Real Estate	2%
Other	9%

Into this pool of $3,446 million, there is flowing a net addition, at the present time, of over $240 million a year. Not only do the companies have this net inflow for investment in Canada but, in addition, as much as another $130 million or so, representing the amortization on their Canadian mortgage portfolios and serial repayments on bonds and debentures.

With the sharp rise in security prices, two other sources of funds for reinvestment may be expected to expand this year. Sales of securities can be effected more advantageously—and therefore may be expected to increase the flow of investible funds—while refundings — dormant now for two or three years—will undoubtedly be undertaken by some borrowers who were moved to borrow within the last 18 months or so when interest rates were much higher than they are today.

Prospects of More Funds for Investment

How much will this all amount to? The two big unknown amounts are security sales by the industry and the volume of refundings to which portfolios will be exposed. Last year, the total volume of funds invested by all life insurance companies doing business in Canada was in the order of $500 million.

This figure cannot be broken down very accurately, but it is possible to say that some $240 million came from new funds of Canadian companies, representing, in effect, the increase in their assets; a further $120 million came from mortgage repayments to the same companies; and the balance from other sources, principally repayments and sales of securities. This year, the total will be larger. Just how much, I am not tempted to hazard.

I suppose no greater measure of comfort could be accorded this group than for me to suggest that you will be called upon to find investments on our behalf for this vast sum. At the moment, however, the demand for mortgage funds is sufficiently great that the historical inclination of our industry to invest large amounts of our investible income in first mortgages will likely leave not more than 50% to 60% of these funds available for security investments. Even so, this will likely be a larger dollar amount than for 1953.

Mortgage Investments

The continuation of the investment of large amounts of funds by the life companies in mortgages is not a new departure in the investment history of our industry. Indeed, it has a firmly established precedent going back to the earliest days of our companies when the bulk of our government and corporate financing was placed in London where such flotations were far more readily absorbed than they could possibly have been in a scattered economy like early Canada's.

It was natural, however, for the local capital needs, which seldom warranted the cost of a London offering, to be sought from local lenders, of which the early life companies were an accessible source. What was more natural than for local mortgage needs to be met by the companies!

Not only have these investments proved satisfactory over the years, but by helping to provide adequate housing and services, they contribute to a healthy and happy atmosphere and environment. The great expansion in the mortgage portfolios of the companies since the war is, therefore, a natural reassertion of an investment characteristic which has long prevailed among our companies, accentuated for the time being by the delayed action caused by the building recession of the '30s and the retarding influences of the Second World War. There is no doubt that mortgages will continue to provide an investment medium for a substantial proportion of investible funds under normal circumstances.

The character of mortgages has, of course, changed radically in the last 15 years. The old conception of a mortgage was essentially that it was a non-liquid investment. This attribute was heightened by the fact that it was most uncommon for principal payments to be required at any time before maturity—with the result that the approach of this event was usually regarded by both parties with considerable misgiving. Frequently, the mortgage had to be refunded—out of necessity rather than desire by both parties — so that mistakes were only too often compounded, until the only solution was an application to foreclose with its attendant repercussions and losses.

The development of equal monthly payments over a period of years, with ultimately, complete amortization of the mortgage, has changed the character of the lowly mortgage—like the glass slipper changed Cinderella. It is now a beautiful thing. It glows with its accustomed superior return—it shines with liquidity—and its garments are hung with such trappings of grandeur as government guarantees such as used to be reserved almost entirely to more elegant instruments like C. N. R. bonds. Its liquidity is attested to by the fact that between 8% and 10% of Canadian life insurance companies' mortgage portfolios were repaid last year—during a period of high interest rates.

Insurance Portfolio Changes

From 1945 to 1953, the major insurance portfolio changes were these:

(1) Dominion government bonds declined from over 60% to 19% of Canadian assets.

(2) Canadian corporate bonds increased from approximately 10% to 22% of Canadian assets.

(3) Canadian mortgages increased from less than 15% to 32% of Canadian assets.

Important increases also occurred in municipal bonds and in investments in real estate, though smaller in the absolute amounts involved.

Can these changes be related to a calculated investment policy on the part of the insurance companies—or do they represent sim-

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*An address by Mr. Bower before the 38th Annual Convention of the Investment Dealers' Association of Canada, Jasper, Canada, June 10, 1954.

Investing in Canada

By W. T. MORAN*
Greenshields & Co.
Members, Montreal and Toronto Stock Exchanges

Pointing out potentials of background of Canadian investment as (1) its people; (2) their philosophy; and (3) the country's resources, Mr. Moran stresses favorable political climate in Canada, which appreciates necessity of attracting risk capital. Notes recent rapid industrialization of Canada and points out progress and potentials of specific industries in Canada, notably that of petroleum. Gives conditions affecting Canada's economic future, and concludes long range investment in Canada should prove profitable.

In the background of Canadian investment, I think that there are three principal potentials, namely, its people, their philosophy and the country's resources.

W. T. Moran

As for the people, they number about 15 million, which is less than 10% of your population. Probably that is one of our weaknesses now, but, at the same time, it is a factor of potential strength. The growth rate of our country of around 2½% a year exceeds that of the United States, and some of the commentators say that by 1980 the population will have increased by 65% to 25 million people.

The Political Atmosphere

The political atmosphere is important as, in relation to most countries, we have a stable government and a government that favors business and wants expansion. We tried to finance the past war by about 50% as we went along. We had heavy excess profits taxes but we took them off after the war and they stayed off. Since the war we have had a balanced budget every year, and at the same time reduced debt by nearly $2½ billion, or close to 15%.

We realize that we have to encourage business to start up in Canada and, in most cases, a new plant gets accelerated depreciation at a 20% rate. If you open a new mine you operate it for three years, plus a tuning-up period of six months, before you pay any taxes. In other words, you have an opportunity of getting your money back before the government takes anything.

The necessity of attracting risk capital is appreciated by the powers that be, so we have no capital gains tax. Then, for those companies which are tax paying Canadian Corporations, Canadian shareholders are allowed to deduct from the tax bill 20% of dividends received from preferred and common stocks. Using a theoretical case, you can actually have an income, if you are married, of about $10,000, all from stocks, and you won't pay any Federal income tax.

*An address by Mr. Moran before the New England Regional Meeting of the Financial Analysts Societies, Boston, Mass., June 1, 1954.

Canada's Industrialization

Prewar Canada's economy was primarily agriculture and forest products with important mines. Industry was not dominant. For example, in 1937-38 annual average auto production was 125,000 cars. The current rate is around 400,000. But now the economic frontiers are being pushed back to the north.

In the development of any country it is normal to have two broad steps or phases. The first step is the opening up of primary wealth, usually agricultural and mineral. The second, usually following the first, is the development of manufacturing industry. The second stage usually marks the end of the first stage, as by that time resources are normally quite well known and fairly utilized.

In Canada, however, particularly postwar, a very rapid industrial expansion in manufacturing coincided with new discoveries of raw resources. For example, oil was discovered on the plains of Alberta in 1947. New metal deposits greater than any we previously had were found. Tremendously new hydro-electric power was harnessed or plans were made to harness it. Thus, we had the unusual coincidence of two kinds of growth that worked together. So now, in addition to doubling up in that way, we have also had the ability of Canada to utilize the techniques in the new products which had been developed in your country, as well as our own, and to apply them against both kinds of growth.

Actually, therefore, we have had a three-fold growth factor in Canada:

(1) The industrial economic growth.

(2) The discovery and development growth.

(3) The new product and technology growth.

While agriculture and forestry are still great sources of wealth and are still expanding, you have had these other features so that you have a triple play in Canada. As a result, since the end of World War II, the Canadian gross national product has risen about 95% as against about 60% in the States.

Steady Rise in Capital Expenditure

What I think very significant is that since the end of the war new capital expenditures have in every year been greater than the year before with over $30 billion being the total of such expenditures in the past eight years. The annual so-called white paper on the outlook for capital expenditures for 1954 envisages a further small increase over the record of 1953 which, like in your country, was a bonanza 12 months.

Of greater significance, however, is that these additions to physical capital have represented nearly 21% of Canada's total national product in the postwar period as a whole and even higher percentages in recent years. In other words, we in Canada have been ploughing back into physical assets, rather than consuming immediately, between one-fifth and one-quarter of our national output. A higher proportion than in the States and much higher than in most other countries.

It is probably your impression that Canada's expansion as a whole has been financed mainly by external capital. It is true that our country's growth has proved attractive to outside investors. The foreign stake in Canada has increased in seven years by a little over $3 billion from $7 billion at the end of 1945 to over $10 billion at the end of 1952.

When we compare this increase of $3 billion in foreign investment in Canada during the seven postwar years with the figure of $30 billion of new Canadian capital expenditures as a whole in eight years, it becomes clear that less than 10%, actually about 8% of Canada's total postwar spending of a capital nature has been financed by outside investors. And I might add that the 92% underwritten by Canadian capital is a higher proportion than prevailed in earlier periods of rapid development.

Potentials of Specific Industries

Leaving the general background, let's consider some of the specific industries and resources with a view to assessing their potentials.

In the first place, agriculture is still our biggest industry and contributes to well over 10% of our gross national product. This segment of our economy, particularly the wheat portion, has been causing us some concern because of the extraordinarily large crops that we have been fortunate in having during the past few years and which have resulted in the accumulation of large wheat surpluses despite higher than average sales. If a period of surplus and falling prices should lie ahead, it is fortunate that the western wheat farmer is in a strong position. In the postwar years, an almost revolutionary improvement in the equipment of western wheat farms has occurred. It has been achieved, too, without a large net increase in debt. Thus, the Prairie wheat economy is physically more productive and efficient than ever before, and financially much stronger than, for example, in the late '20s.

Forestry is the second biggest industry with Canada being the world's largest newsprint producer and the second in pulp. The newsprint situation today is that production and sales are approximately in balance. This position, however, would change overnight to a shortage of supply were foreign buyers, ex North America, able to secure from their governments the additional necessary Canadian or U. S. dollars which are required for our products.

The States is our best customer in newsprint and it is estimated that your requirements will increase again this year with the bulk of the anticipated increase

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Canadian Money Market Enlarged

By T. H. ATKINSON*
Vice-President and General Manager, Royal Bank of Canada
President, The Canadian Bankers' Association

In reviewing recent revision of the Canadian Bank Act and the expansion of the short-term money market in Canada, Mr. Atkinson gives details of the new day-to-day loan market, the establishment of which marks another milestone in the economic maturity of Canada. Points out the day-to-day loan market will operate on a completely impersonal basis, and investment dealers can borrow where they can to the best advantage, since banks will be governed in making or calling such loans by the state of their cash reserves. Discusses, also, new power given Canadian banks to make housing and chattel mortgage loans and loans against "oil in the ground."

The last few months have been extremely important for Canadian banking. Parliament has authorized the chartered banks to make housing loans on the security of mortgages and the law is now in operation. Parliament has also practically concluded a revision of the Bank Act, a recasting of the basic banking law to bring it into line with today's economic conditions. Side-by-side with that, three-way discussions, among the chartered banks, the Bank of Canada and the investment dealers, have just been concluded for the establishment, for the first time in Canada, of a day-to-day loan market as part of an enlarged short-term money market.

T. H. Atkinson

In view of these developments, it is not my intention today to make a general survey of banking and economic factors but, rather, to emphasize some aspects of the new banking laws and to outline the size and scope of the new loan market.

Mortgage Lending

The National Housing Act, 1954, in force since March 22, enables banks to lend on mortgage or hypothec on new housing projects, a departure from a long-standing prohibition in Canadian banking laws. The banks did not seek this authority. However, as it resulted from government policy, I believe that a spirit of willingness on the part of the banks to give this new power a fair chance to work may reasonably be assumed. As with the exercise of all other banking powers, the extent of the operations in this new field, consonant with recognition of the prime obligation for the safeguarding of the confidence of depositors, will remain the responsibility of the management of each bank.

Parliament is in the process of completing the eighth decennial revision of the Bank Act which was passed originally in 1871. No other nation has this system of 10-year bank charters and decennial revision of the basic banking law. Most bankers will, I am confident, agree that it is a good system, good for banking as well as for the country.

Strong Banking System

The Canadian banking system enjoys the reputation of being one of the strongest and soundest in the world, yet flexible and adaptable to meet the changing, ever-expanding needs of a rapidly growing nation. This is due, in part, to the principle of periodic revision, so that every 10 years Parliament conducts a full inquiry into banking practices, takes a long, hard look at the banking law and finds where it can be improved, extended, strengthened and brought into line with new economic conditions.

The 1954 revision proceedings, conducted by the Banking and Commerce Committee of the House of Commons, were broad in scope and resulted in several basic changes in banking law. Of the many amendments, perhaps the most important was the introduction of the principle of variable cash reserves.

Cash Reserves

The new method of setting cash reserves, embedded in both the Bank Act and the Bank of Canada Act, represents a new principle. Heretofore, the chartered banks were required by law to maintain a cash reserve of 5% of Canadian deposit liabilities in deposits with or notes of the Bank of Canada but, in actual practice, they maintained this reserve at about 10%. The legal minimum now is set at 8% with important changes in the method of averaging the total of deposits. The Bank of Canada has the power to vary gradually and after due notice, the rate between the minimum of 8% and the maximum of 12% as part of its function of controlling the over-all volume of bank credit. This provision has been designed to assist the Bank of Canada in dealing with any sudden inflationary surge in the economy.

Loans Against Oil

As far as the Bank Act, itself, is concerned, several other important amendments have been included. One of the most important is a whole new section empowering the banks to lend against oil in the ground. This is a good illustration of the value of periodic examinations of the basic banking law. The banks have been impeded in financing the rapidly-growing oil industry because production had not reached important dimensions at the time of the 1944 revision and no provision was made for bank loans against the security of oil in the ground. In the 10 years between the two revisions, the banks have assisted materially in the development of the nation's oil resources by involved methods of taking security but now will be able to simplify the process by making loans on a special type of security on the oil.

Chattel Mortgages

The Banking and Commerce Committee inserted a provision in the bill, which was accepted by the House of Commons, enabling banks to take a chattel mortgage or other security on household goods, including motor vehicles, in the case of loans to individuals. This, again, is a new principle in Canadian banking and it will be interesting to see how it works out. Every bank has been making small personal loans for years—the aggregate for all banks was $298,200,000 on Sept. 30, 1953—but this new provision will make it possible to enlarge this lending field and will simplify matters for borrowers.

Other Changes

There were many changes of a technical nature made in the Bank Act. The note-issuing privileges of the banks, in process of progressive reduction since the Bank of Canada was set up in 1934, now are wiped out. The liability for the comparatively small outstanding foreign note issues in the British West Indies will, it is expected, be transferred to local governments along the lines of the transfer to the Bank of Canada of liability for Canadian bank notes in 1950. Changes were made, the first since 1890, in the capital re-

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*An address by Mr. Atkinson at the Annual Meeting of the Canadian Bankers' Association, Montebello, Que., June 11, 1954.

Canada's Rank Among Industrial Nations

By F. CYRIL JAMES*

Principal and Vice-Chancellor
McGill University, Montreal, Canada

Canadian economist, formerly professor in the University of Pennsylvania, points out that Canada, despite its ties to U. S., has a separate and independent economy. Describes recent Canadian progress, and contends Canada has grown up in an economic sense, while both geography and tradition combine to make of Canada a nation different in many ways from the United States

"A nation spoke to a nation,
A Queen sent word to a throne;
'Daughter am I in my mother's house,
But mistress in my own.
The gates are mine to open,
As the gates are mine to close,
And I set my house in order,'
Said our Lady of the Snows."

Rudyard Kipling is out of fashion nowadays, but no man had greater ability to crystallize in words that come tripping to the tongue the mood of a moment. That verse was written nearly 60 years ago, in 1897, but, in the minds of many people, Canada is still "Our Lady of the Snows"—3,845,774 square miles of icy wastes, stretching 3,000 miles from the border of the United States to the Arctic seas and 4,500 miles from the Atlantic Ocean to the Pacific. The simplest antidote to that idea is to take a large scale map of North America and draw a line from east to west through Pelee Island, the southern tip of Canada. That line touches 23 of the states of this Union and ends up in sunny California!

Dr. F. Cyril James

It is not, however, the wastes of ice and snow that I want to emphasize. Kipling's poem enshrines the mood of Queen Victoria's Diamond Jubilee, and celebrates enthusiastically Canada's decision to institute a system of tariffs that granted preferential rates to goods coming from England or other parts of the British Empire. That will not make you like the poem any better, since Imperial Preference is not popular in the United States; but we can realize that what Kipling is celebrating is in fact Canada's declaration of economic independence from the United States.

That decision marked the beginning of an era that has not yet ended. Canada recognized itself as a separate and independent economy—and that decision coincided with the beginning of an upward surge in Canadian prosperity. In spite of the dismal prophecies of William Jennings Bryan, 1897 marks the beginning of an upswing of prices throughout North America, although it is well for us to remember that this happy trend was due to the scientists who applied the cyanide process to the ores of the Witwatersrand rather than to anything that we did in Canada or the United States. The last free land in your country was being occupied rapidly, and Western Canada was beginning to fill up with farmers, so that the dreams of those who had constructed the Canadian Pacific Railway were being justified.

Remembering all those undertones of the middle nineties, can we not find in Kipling the echoes of a mood?

"'I called my chiefs to council,
In the din of a troubled year;
For the sake of a sign ye would
not see,
And a word ye would not hear.
This is our message and answer;
This is the path we chose:
For we be also a people,'
Said our Lady of the Snows."

*An address by Dr. James at the Luncheon Session of the 38th Annual Meeting of the National Industrial Conference Board, New York City, May 21, 1954.

Canadian Economic Progress

It is perhaps worth recalling for a moment the climate of opinion from which Canada was emerging during those years. At the census of 1891 there were only 4,833,239 people inhabiting the millions of square miles to which I have referred, and almost all of them were settled between Halifax and Toronto. No substantial communities existed west of the Great Lakes, and more than half of the men in Canada were employed in agriculture. In spite of that fact, the list of Canada's principal exports in 1890 does not indicate any great agricultural prosperity. Cheese, cattle, barley and meats were exported in moderate quantities, but the most important commodity that Canada was supplying to the rest of the world was timber, either in the form of squared logs or of planks and boards, these two amounting to more than the total value of all the agricultural exports. Wheat, together with sugar and fruits, was indeed among the ten most important *imports* of Canada, together with woolen goods, cotton goods and silk, to provide clothing for the struggling inhabitants of what was obviously a poor country.

Canada's 10 Most Important Imports in 1890

Woolen goods	$10,900,600
Coal	8,013,156
Sugar	6,452,654
Rolling mill products	5,645,704
Cotton goods	3,792,584
Raw cotton	3,539,249
Tea	3,073,643
Wheat & grain products	3,034,049
Silk goods	2,654,505
Fruits	2,400,000

Canada's 10 Most Important Exports in 1890

Planks and boards	$17,637,308
Cheese	9,372,212
Fish	8,099,674
Cattle	6,949,417
Barley	4,600,409
Square timber	4,353,870
Coal	2,447,936
Hair	1,068,554
Meats	895,767
Unmanufactd. leather	727,087

From that seemingly unpropitious moment, Canada has continued its upward march into our own generation, and the rate of acceleration has increased mightily during the past decade. The population of Canada, still less than 15 million persons, is not much larger than the population of the State of New York, but that group of Canadians (small by your standards) is today producing a national income of approximately $24 billion. Although the number of men engaged in agriculture — 791,931 — is not much greater than the 723,013 farmers recorded in 1891, the volume of agricultural production is fabulously greater, supplying not only the needs of Canada but those of many other parts of the world. I admit, with some discomfort, that we have a surplus of 700 million bushels of wheat that we can neither eat nor sell. At the present time, however, these farmers constitute less than 20% of the Canadian population and their number is greatly exceeded by the 1,085,911 men (25% of the male population) who are engaged in the manufacturing industry, especially if we add to this total the 101,520 men employed in mining and oil wells, together with the 127,488 men engaged in logging and forestry. Over and above this pattern of agricultural and industrial production, the number of men employed in trade (both wholesale and retail) has increased tenfold, from 78,000 in 1891 to a present total of 709,768, and now comprises almost one-fifth of the Canadian population. Under the heading of "services," which includes such diverse groups as barbers, university professors and soldiers, the number of individuals has grown from 87,533 to 576,805.

In a single sentence, Canada now ranks sixth among the industrial nations of the world, and the occupational distribution of its population has today assumed a pattern closely similar to that which exists in the United States.

Canada Has "Grown Up"

That similarity needs to be emphasized; it is simple evidence of the fact that Canada has "grown up" in an economic sense, that it is safely through a difficult period of national development which is comparable to that experienced by the United States during the 19th century. Canada has become a nation.

The full significance of that fact is not always recognized in the United States, although the declared intention of the Canadian Government to construct the St. Lawrence Seaway, even if the

United States decided not to co-operate, brought some appreciation of the changing pattern to many Americans. You may have noticed that the American-born Minister of Trade and Commerce in Canada, the Rt. Hon. C. D. Howe, has publicly stated his regret that the United States did finally decide to participate in the seaway project. The benefits that each country will obtain are already fixed by treaty, so that Mr. Howe was not thinking of any economic advantage. He wanted the unilateral completion of a spectacular project to signalize Canada's coming of age.

That coming of age makes it necessary for us to recognize that Canada has characteristics which mark it off from its great neighbor to the south. In terms of geography, Canada used to be a narrow fringe of population, not much more than a hundred miles across, which stretched from east to west along the northern border of the United States. The great geological structure of the Laurentian shield and the massive heights of the Rockies divided it into three weak parts, and each of these often looked longingly toward the south. In our generation, the exploitation of the incredible mineral resources of the Laurentian shield is drawing population northward. It is acting as a magnet to draw Canada into a newly recognized geographic unity, while pipelines and airplanes have reduced the significance of the Rockies. Canadians, more and more, look to the north when they are not looking eastward or westward. It is from the north that much of their newfound wealth is coming. It is in the north that they are maintaining garrisons to detect and intercept any invader who might threaten this continent. You must allow me a personal feeling of pride in the knowledge that, in the day of Armageddon, if it should come, the safety of millions of people in this City of New York is likely to depend on the efficiency of "the McGill fence" strung across those northern wastes!

This geographical unity, which was excellently discussed in the March issue of the "Canadian Geographic Journal," is paralleled by an increasingly conscious homogeneity of population. Canada has never subscribed to the theory of the melting pot. For two centuries, the British portion of its population has remembered the diversity of dialect and custom in the old country, so that it was natural to guarantee to the French-speaking population after Wolfe's victory the right to enjoy their own language, their own customs, and their own religion. You may remember that decision, embodied in the Quebec Act, as one of the factors that contributed to the American War of Independence—so that the difference of philosophy has a history that extends from the Battle of the Plains of Abraham to the most recent troubles with the Doukhobours in Alberta! But the British tradition concerns more than appreciation of another man's culture and ideals. It embodies a centralization of governmental responsibility with none of the separation of legislative, executive and judicial powers that so often produce friction and fireworks in Washington. The Parliament of Canada can discharge the Prime Minister and all his Cabinet whenever it loses confidence in them—and as a matter of fact, the decision rests solely with the Lower House. The Senate need not be consulted. The Parliament of Canada can also pass legislation designed to amend the law as stated by the courts, even of the Supreme Court of Canada, when it finds the law incompatible with public policy. I might even point out that the Parliament of Canada has the full power—which it is never likely to use—to declare war on either Great Britain or the United States, and all the subsidiary control over foreign power that is implied by this extreme statement.

Both of these traditions have, I think, helped to make the Parliament of Canada a more sober and less spectacular body than the Congress of the United States. Legislators cannot tilt with the Prime Minister unless they are ready to get rid of him and face a new election for themselves, at which the public will pass immediate judgment on their actions. They cannot lightly pass legislation in the hope that the courts will save them from the consequences of their folly. Each decision of Parliament must, therefore, be worked out in responsible discussion, giving all parties a chance to express their views in sober debate, because the ultimate decision of the majority is absolute and final.

Canada, in Many Ways, Different From U. S.

Geography and tradition, therefore, combine to make of Canada a nation that is, in many ways, different from the United States. It is not surprising that millions of Canadians resented the decision of a committee of the United States Senate to interrogate Ivor Gouzenko, a Canadian citizen resident in Canada. It is not surprising that resentment rose still higher when attack by innuendo was directed against the Canadian Minister for External Affairs from certain quarters in the United States. I might add, too, that indignation is simmering in many Canadian breasts in regard to the legislation in this country which provides that a Canadian student who comes to one of your great universities in search of knowledge may be for the rest of his life excluded from the United States if he is not willing to be drafted into the armed forces of this country.

These things are said in no unfriendly spirit of criticism. It was my privilege to live in this country for 16 happy years, and to be actively associated with the National Industrial Conference Board for more than a third of that period. My links with this country are strong and my friendships deep, so that my purpose in mentioning these divergences is simply to underline the fact that Americans who desire friendship with Canada must recognize them. Men who are not identical twins can still be close friends, because friendship permits of wide differences of habit and behavior so long as it rests firmly on mutual admiration of character.

U. S. Investments Not Solely Cause of Canadian Development

Canada and the United States are, each of them, independent and proud nations. They share this North American continent between them, and so much oratory has been spilled on the subject of the undefended frontier that I shall not elaborate the point. What I do want to emphasize is that each country is contributing to the economic progress of the whole continent, that each is contributing to the military defense of the other and that only by way of intelligent mutual friendship can either Canada or the United States expect to achieve its destiny.

That theme is capable of infinite elaboration, but I shall cite only two examples — foreign investment and foreign trade. It is often assumed, in both Canada and the United States, that the great industrial development of Canada stems entirely from American investment. There is no questioning the fact that our friends in the United States, who can recognize a profitable investment when they see it, have helped greatly. Nearly $5 billion of American capital is now invested in Canada, and American investments have been increasing at the rate of approximately $500 million a year since 1950. Indeed, the total American investments in Canada at this moment represent approximately one-third of the total investments of the United States in all parts of the world outside your national frontiers.

Canada is deeply appreciative of this assistance, but I should like to point out that this is only a small part of the total investment that has been necessary to develop Canada's resources. Foreign ownership of Canadian industry amounts to only 30% of the total at the present time, as compared to 38% at the opening of the Second World War and although the amount of foreign investment in terms of dollars is much higher than it was 20 years ago, Canadians themselves are supplying 85% of all the investment funds that Canada needs and, indeed, are themselves saving a higher proportion of their national income than any other country in the world at the present moment. Last year the total saving amounted to 23% of the national income.

Canada is financing most of its own industrial development. But the heavy investment of the United States calls attention to the balance of international payments and the importance of foreign trade to the Canadian economy. Since the end of the war, Canada has ranked third among the nations of the world in foreign trade. But this simple statement does not reveal the tremendous importance of international trade to the Canadian economy. In the case of the United States, which ranks first, the total commodity exports amount to no more than 5.2% of the national income; while in the case of the United Kingdom, which ranks second, commodity exports represent 21.9% of the national income. This contrast expresses the fact, familiar to all of us, that the international trade of Great Britain plays a vitally important part in its economic life, and it is because of this importance that all of the world has watched so carefully during the past five years the annual figures of Britain's balance of payments. In the case of Canada, the value of commodity exports amounts to 24% of the national income, a figure even higher than that for Great Britain, so that on a per capita basis foreign trade is more important to Canadian than to any other people in the world.

A second major point that should be emphasized is the fact that the pattern of Canadian trade has changed substantially during the past two decades. Canada has always liked American goods and has for many years been the most important foreign customer of the United States. Last year we took $3 billion of imports from you, out of total American exports of approximately $15 billion; no other country in the world offered to American producers anything like so large a market. Canadian interest in American goods is traditional, but our methods of paying for them have changed substantially. Prior to World War II, most of the Canadian exports went to Great Britain or Europe, and our bills to the United States were paid in terms of the British and European goods that we obtained in exchane for Canadian exports. Because of the economic disorganization of Western Europe and the lack of convertibility of many European currencies into dollars, that is no longer possible. Canada has therefore undertaken the task of selling its products directly in the American market; and today substantially more than half of Canada's products are sold in the United States, which is easily our most important customer. Last year this direct sale of Canadian goods in the American market amounted to $2.3 billion, a figure not very much below the $3 billion worth of goods that we purchased from you.

The Honorable Robert Winters, the Canadian Minister of Public Works, recently pointed out to the American Society of Newspaper Editors that "four newspapers out of every five printed in the United States were originally part of a Canadian tree . . . nine out of ten of your cars coming off factory assembly lines . . . are likely to have used Canadian nickel; our exports to the United

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1953—A Year of Progress for Canada

By W. A. MATHER*

President, Canadian Pacific Railway

Leading Canadian railway executive though stating there is some uncertainty in the business outlook, reveals economic progress in Canada during 1953. Sees a perplexing problem in the marketing of the immense grain crop as well as in distribution in some Canadian manufacturing industries. Stresses importance of foreign trade to Canada, and notes growing competition to Canadian products. However, expresses optimism regarding Canada's future, because of her rapidly growing population and abundant and diversified natural resources.

We are meeting at a time of some uncertainty in business outlook. We are hopeful, however, that, before the year has progressed much further, the steady expansion of the Canadian economy, which has been so manifest in recent years, will be resumed.

William A. Mather

1953 was for Canada another year of progress—one in which the productive capacity of the nation was again expanded and in which it produced a record volume of goods and services. Official figures show, however, that while the increase in the national output amounted to about 4%, there was an increase of 8% in labor income. The comparable figures for 1952 showed rises in that year of 6% in the national output and 12% in labor income. Thus, for the second successive year the rise in national output has lagged behind the increase in wages and salaries. This trend towards an increasingly high cost economy poses serious problems for all of us. Unless halted, it could aggravate still further the deterioration in market conditions reflected in the worsening trade balances of recent months.

Perhaps the most significant and perplexing problem on the trade front is the marketing of the 1953 grain crop. Export sales in the first part of the year were satisfactory but subsequently declined drastically. As a result, stocks of grain available for export are taxing all available storage facilities, although the crop in 1953 was not as large as in 1952. The reduction in the volume of grain moving to foreign markets was reflected in a decrease of 3.6% in the grain traffic of your railway in 1953.

Marketing problems were also manifest in some manufacturing industries. Export sales have declined, while imports from other countries have increased. There is reason to believe that the difficulties experienced by Canadian manufacturers are not unrelated to the fact that labor costs have continued to outstrip the increase in productivity.

With the post-war backlog of demand now largely filled, competition for the consumer's dollar has increased. In short, we have returned to the condition of a buyers' market—one in which the normal interplay of costs and prices should, over a period of time, strengthen and invigorate our economy in relation to the rest of the world.

Effect on Foreign Sales

Increasing competition, while affecting many domestic markets, has been particularly noticeable in its effect on our foreign sales. Canada ranks third among the trading nations of the world. Hence, it is most important to the maintenance of a high level of employment in Canada and of a steady volume of traffic for your railway and steamships that our international trade remain at a high level. When Canadian labor costs, and therefore Canadian prices, tend to be high, our competitive position in world markets deteriorates and our prosperity suffers. Only by constant scrutiny of our prices can we ensure that the standard of living which we seek will not be so high as to prove self-defeating by pricing Canadian goods out of world markets.

Experience has shown that inasmuch as competition promotes economical and efficient production, it is healthy for both consumer and producer. Competition, however, presents a challenge to both management and labor to strive together for low cost by increasing output, improving the quality of product, and examining closely price and wage levels. Non-productive, make-work projects and similar devices offer no substitute for efficient and economical production in bringing about a high level of employment and economic well-being. Canadian industry, as a result of the large capital investments made in the post-war years, is well equipped with modern tools and machinery to meet and to take advantage of the challenge of competition. I am confident that with a realization of the nature of the problem, the inherent good sense of Canadians will ensure that this challenge will be met vigorously and effectively.

Great Potentialities

The potentialities of Canada cannot fail to impress even the most timorous. Throughout the length and breadth of this vast country there is abundant evidence of the strength of our economy — sound and impressive strength that justifies optimism on the part of all Canadians as to the future.

Possibly the greatest strength lies in the growth of our population. Last year, the number of people in Canada increased by 381,000, bringing the total to over 15 million — each an individual with needs and desires, who must be fed and clothed and for whom the goods and services required for modern living must be produced. The resulting expansion in our domestic market and in our productive capacity are major factors in maintaining the buoyancy of our economy.

One of the best known of our basic strengths is the wealth of our natural resources. As has been frequently said, this country is witnessing a great surge of mineral development not only of the basic and familiar metals but also of the new materials of the jet and the atomic age. Among the more spectacular of the present and proposed developments are iron ore in Labrador; nickel, lead and zinc in the Yukon, the Northwest Territories and the Maritimes; copper and titanium in Quebec; uranium in Ontario and Saskatchewan; and asbestos and tungsten in British Columbia.

Much of the productive forest area, which accounts for about one-third of the total land area of the 10 provinces, is yet untouched. Recent progress in forest management encourages the hope that these lands will prove capable of a far greater productivity than was once thought probable.

New Energy Sources

These developments broaden the foundation of our industrial potential — a potential that is becoming all the more impressive since it is accompanied by the discovery and development of various additional sources of energy. Not many years ago there were some who, looking only at the traditional source of industrial power—coal—considered that the industrial potential of Canada was limited by the geographic location of its vast coal reserves. Today, with a growing realization of our reserves of water power, improved transmission methods, oil and natural gas and, for eventual development, nuclear energy, our sources of power are considered not as a limiting factor to our industrial potential but rather as one of the major forces in the expansion of the economy.

Reserves of oil are now estimated at 3 billion barrels, establishing Western Canada as one of the important oil-bearing regions of the world. The rich potential of new and expanding fields leads us confidently to expect a considerable increase in proven reserves as exploration and discovery move northward and eastward across the Prairies. Since the discovery of the Leduc field early in 1947, $1 billion has been spent on oil exploration and development. Additional large sums have been invested in refinery and pipeline facilities. As new facilities come into operation, the flow of oil from established fields will steadily increase. Average daily production of crude oil rose to 222,000 barrels per day in 1953. This amounts to one-third more than in 1952, and almost 10 times more than in 1946. The availability of oil and its products is transforming the economy of parts of our Western provinces. Chemical and other industries have already been established there and are stimulating the general industrial expansion of areas previously predominantly agricultural. Moreover, the export of natural gas from Western Canada will bring a new source of energy to Central Canada.

The potential of our hydro-electric power has recently been estimated at 65 million horse-power. Over one-fifth of this is at present developed—equivalent to approximately one horse-power per head of population. The many hydro-electric projects under construction or being planned assure a substantial increase in installed capacity. Those along the St. Lawrence alone will provide Canada with an increase of some 3 million horse-power.

Population Growth

Our growing population, the development of our natural wealth, and our industrial expansion are transforming our economy from one dependent on a few basic commodities to one of broad diversification. Today the number of people employed in agriculture is about the same as it was 50 years ago, while the number of those employed in other occupations has roughly tripled. Today, the industrial la-

*From an address of Mr. Mather at the Annual Meeting of Shareholders of the Canadian Pacific Railway, Montreal, Can.

Mr. & Mrs. A. Allan Kirk, *Equitable Securities of Canada, Ltd.*, Toronto; Gerard Gingras, *Rene T. Leclerc, Inc.*, Montreal, President of I. D. A. C.; Mrs. Gerard Gingras

N. D. (Jack) Young, *Dominion Securities Corpn. Ltd.*, Toronto, newly elected President of I. D. A. C.; Perry S. Bower, *Great West Life Assurance Co.*, Winnipeg, Man., guest speaker at the Jasper meeting

bor force accounts for almost 84% of the working population of Canada—a truly impressive proportion when compared with that of 89% for the United States. Particularly impressive in this respect is the change that has occurred in the Prairie provinces where, in the seven years since World War II, the industrial labor force has risen from 50% to 62%.

Equally important for the continuing progress of the economy are sound and adequate financial institutions and transportation facilities. Canada is renowned for the strength of its banking system and soundness of its fiscal and monetary policies — factors which favorably impress investors and encourage them to make long-term investments in Canadian enterprises.

Continuing and widespread confidence in the future strength, soundness and growth of Canada is clearly reflected in the all-time high capital investment planned for 1954. The latest official appraisal indicates probable capital expenditure amounting to $5.8 billion, about 3% more than last year and equivalent to about 23½% of estimated gross national product.

In Attendance at I.D.A.C. Convention

ANDERSON, A. L.*
Anderson & Company Limited, Toronto

AITKENS, O. ST. P.
Okanagan Investments Limited, Kelowna

ALEXANDER, N. J.
James Richardson & Sons, Vancouver

ARMOUR, A. D.*
Brawley, Cathers & Company, Toronto

ARMSTRONG, A. E.
"Toronto Daily Star," Toronto

ARMSTRONG, C.*
Gairdner & Co. Limited, Toronto

ADAMS, GEO.
C. C. Fields & Co., Toronto

BACKUS, H. S.
McLeod, Young, Weir & Company, Toronto

BALLENTINE, G. V.
Yorkshire Securities Limited, Vancouver

BARKER, A. J.
Thomas B. Read Company Ltd., Vancouver

BEALE, ROY
Wood, Gundy & Company Limited, Regina

BEATTY, D. S.*
Burns Bros. & Denton Limited, Toronto

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Brawley, Cathers & Company, Toronto

BENNET, GORDON
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Pemberton Securities Limited, Vancouver

BOWER, PERRY S.
Great-West Life Assurance Co., Winnipeg

BRETTINGHAM, S. J. A.
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CHIPPINDALE, A.*
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COLVEY, DOUGLAS
Canadian Dow Jones, Montreal

COPITHORNE, C. J.
James, Copithorne & Birch Ltd., Vancouver

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Deacon Findley Coyne Limited, Toronto

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James Richardson & Sons, Winnipeg

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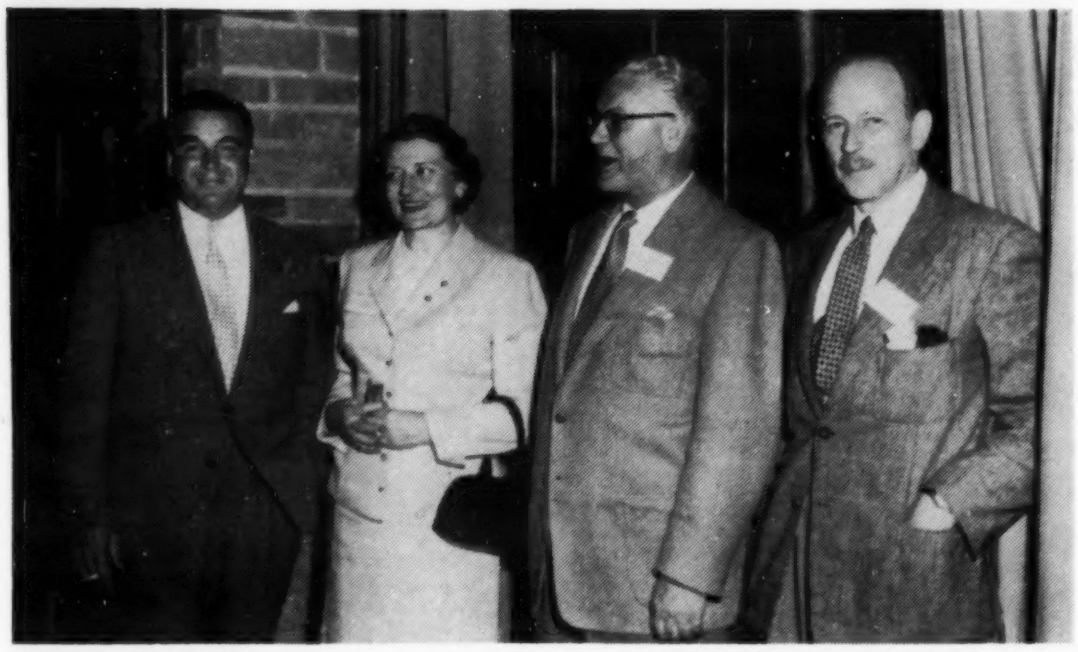

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Norman J. Alexander, *James Richardson & Sons*, Vancouver, B. C.; James Richardson, *James Richardson & Sons*, Winnipeg, Man.; Nigel H. Gunn, *Bell, Gouinlock & Company, Ltd.*, Toronto; Arthur Milner, *Mills, Spence & Co., Ltd.*, Toronto

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Investing in Canada

being supplied by Canadian sources.

In view of the insatiable demand for newsprint from the U.S.A. which has made for capacity operations in Canada during the entire postwar period, one might wonder why current operations are up less than 30% from 1947 levels. The reason is that the Canadian industry is making sure that it doesn't become the victim of over-expansion. In fact, only one new newsprint mill (Elk Falls, B. C.) has been built in the country since the end of the war. The increased capacity came from rehabilitation and speeding up of existing machines. Further steady growth is looked for but no spectacular overnight expansion. In general, the investment status of the industry has undergone a material improvement.

The Mining Industry

Mining is the third biggest industry in Canada. We have there not only growth of the established mines, particularly base metals, but the development of the new ones. New finds of major importance have been made in the last couple of years such as in New Brunswick and the Manitouwadge district of Ontario which, while still subject to development, have given early indications of being major producing areas as further exploration and development work is carried out.

If you take iron, last year Canada had to import a portion of its ores but in about two years' time we will be shipping iron ore in expanding volume from the Quebec-Labrador and Lake Superior deposits with your producers as the principal customers.

There has been a lot of press in the recent year about uranium, findings of which have been made in widely scattered spots ranging from Saskatchewan to Quebec. As time goes on the promising ore indications in such major areas as Beaverlodge Lake in Saskatchewan will be more clearly defined and production achieved. Another metal, titanium, almost unknown until recently, gives hopeful promise of being produced on a commercially profitable basis.

Petroleum Developments

The industry that gets the most attention from the newspapers and probably from you too is oil. Quite justifiably so as in the seven-year period Canadian oil reserves have increased from approximately 100 million barrels to an estimated 3 billion barrels.

From a geographic or economic point of view, these Canadian oil reserves are located at great distance from available markets. Two major crude pipe lines have been constructed, however, to connect the fields with the markets. The Interprovincial Pipe Line, which is the world's longest, runs from Redwater, Alberta, to Sarnia, Ontario, a distance of 1,700 miles. The Trans Mountain Pipe Line crosses the Rocky Mountains from Edmonton to Vancouver and is being extended to connect refineries now under construction on Puget Sound. For the moment, these lines are only operating at approximately one-third of their capacity of over 700,000 barrels of oil per day, but it is expected that markets for the full amount will be built up over the course of the next several years.

While natural gas reserves in Canada have been proven up at a very substantial rate, increasing by about 4,000 billion cubic feet annually, no major transmission systems have been completed to connect this supply with the available markets. However, plans are rapidly being formulated for the construction of a line to Eastern Canada with possibly an off-shoot into the Minneapolis area. Such a line would be the largest in the world, would cost $300 million to construct, would take two years to complete but would provide a major outlet for Canadian natural gas.

Plans for construction of a gas pipe line from the Peace River area of Northern Alberta and Northern British Columbia into the Pacific Northwest States has yet to receive approval from the Federal Power Commission in Washington. Should approval be given to this project, it also would provide a major outlet for Canadian natural gas.

Beyond a doubt, major reserves of natural gas and crude oil exist in Western Canada. They are being enlarged steadily and, if not cheap, at least their cost is moderate. The major problems from an economic standpoint continues to be one of markets, a problem compounded by the fact that the closest markets lie across the international boundary. However, there exists every confidence that this marketing problem will be solved in due time and that large profits will result from astute investments made in the Canadian industry.

Other Industries

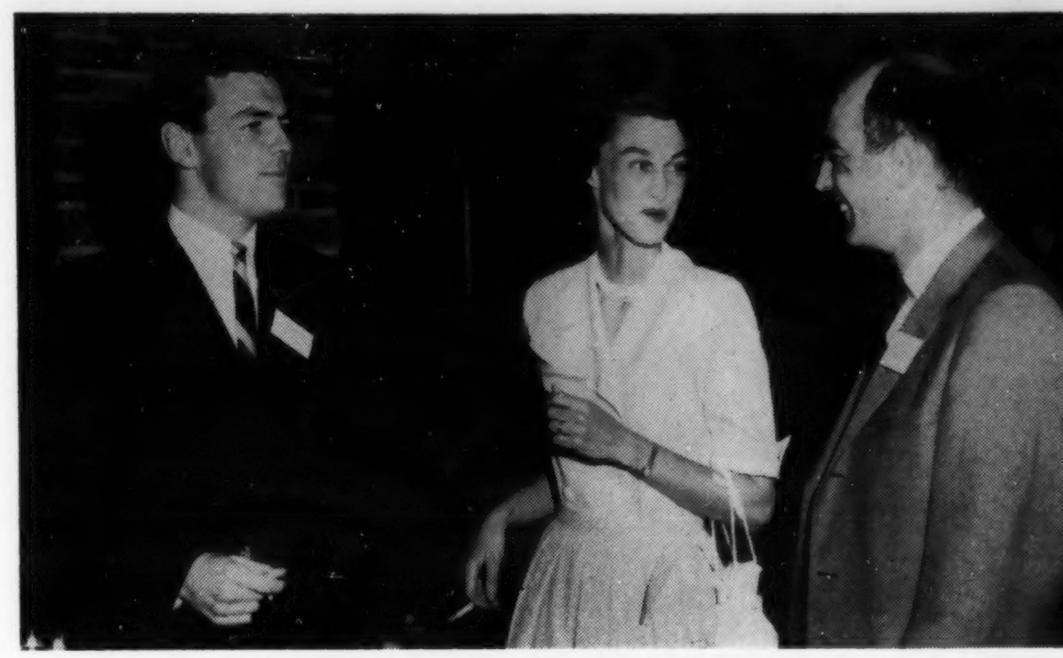
Now to turn from some of the raw material producers to some of our other industries.

Starting with automobiles, Canada has one passenger car for about each five people. In the United States you have one car for each 3½ people. Canada certainly has room to parallel your growth and develop the car use up to something near your own.

Going hand in hand with the automobile industry the instalment finance business offers some interesting comparisons. While you consider it a growing business in the United States, it would seem that the growth potential is higher in Canada. For example, at present about 40% of the new passenger cars in our country are financed, while you are financing around 65%-70%. Another point, Canadian banks don't write instalment business whereas the United States banks do about half the volume.

Another big industry where comparison shows some possible relative on safety is steel. The

Mrs. J. F. Plewman, Calgary, Alta.; Robert Ouimet, *Dawson, Hannaford, Ltd.*, Montreal; Mr. & Mrs. Christopher Armstrong, *Gairdner and Company, Ltd.*, Toronto



Bruce Kippen, *Kippen & Company, Inc.*, Montreal; Mr. & Mrs. G. N. Nation, *Dominion Securities Corpn. Ltd.*, Victoria, B. C.

main point is capacity vs. peak demand. Canadian capacity of around four million tons is about two-thirds of peak demand, the excess steel is imported. Now if demand drops, it might be logical to think the imports will get the first cut. The United States in contracts has capacity in excess of domestic peak demand plus some exports. It would thus seem fair to say that Canadian steels will not be as fully cyclical.

Turning to the utilities field, Canada has something over 14 million h.p. installed. Present plans of utility companies and others put that up to about 18 million in 1955, over 92% of which is hydro-electric. The Canadian potential is 66 million h.p. of hyydro, thus pinpointing one of Canada's big advantages, namely cheap hydro-electric power in large quantities.

Before passing on, a few words on the building and construction industry might be in order as this has been an excellent sustaining force in our economy. Prices continue to rise bringing new high values to the business done although the net result after three years from the peak is a decline of about 28% in real activity. Much of this decline has been in the major type of contract work and relatively little in residential building. While some decline in general building activity might be expected, our public works have been largely deferred through the blueprint stage and could be stepped up quite rapidly. We also have the St. Lawrence Seaway project coming along which should be a further sustaining factor for this industry.

In addition of course the Trans-Canada highway, aside from any other road building, will continue to be an important contribution.

Long Range Estimates of Canadian Investment

In retrospect, I guess I turned out to be another drum beater despite my avowed intention not to be one. It does sound rather glowing, but there is this one important qualification to make. My terms of reference are all based on the long-term potential. I have attempted to point out certain attractive areas for investment and the next job for you analysts is to sift the wheat from the chaff within the various areas of investment covered. Initially you must have enthusiasm but also a critical approach is essential.

To a considerable degree long range estimates of Canada are based on a continuing growth in population. As far as one can see now only two developments would be likely to retard this expansion seriously. The first is a long continued weakness in world demand for basic products. But if the picture of world and particularly U. S. demand for raw materials depicted in the Paley Report is at all valid, the long-term outlook for Canada's basic exports is a strong one, whatever short-term ups and downs may occur.

The second condition that would seriously retard growth is a long and severe depression like that of the 1930's. However, the fiscal and monetary mechanisms that have been developed to combat depressions and the extent to which governments are committed to policies of full employment would seem to rule out a prolonged slump of major proportions. This does not say there will not be recessions from time to time but if the underlying economic trend is satisfactory the 65% increase in population by 1980 which was referred to doesn't seem unduly optimistic.

The prospects of such an increase in Canadian population has its important implications. But the population increase and the parallel growth it implies in the size of the economy are only part of the picture. The experience of the past leaves no doubt that rising productivity and higher standards of living will be part and parcel of the expansion of the population and of the economy.

Over the past quarter century real output per head in Canada has increased at a rate of about 1¾% per annum, a factor which has contributed fully as much as population growth to more than doubling the national production. It is estimated that annual growth at this rate in real output per head, combined with the population increase, could bring the total production of the country to well over 2½ times the present level. Broadly speaking, sometime around 1980 Canada could achieve a population of 25 million, and a gross national product of about $65 billion as compared with 15 million people and a gross national product of $24 billion at the present time.

Summary

To sum up, we should look at the fundamentals. The raw material is there. The political and business climate is favorable. The growth potential in the population is large. Resources are developing. The normal growth of business is highly promising. All of these things are not going to happen overnight and you should approach the analysis of Canadian situations from that angle. It is going to take time just as in any basic investment but the progress should be both solid and sure. In turn the investment reward should be substantial.

Mr. & Mrs. John C. Samis, *Samis & Co., Ltd.*, Vancouver, B. C.; Mr. & Mrs. John Jarvis, *Bankers Bond Corporation, Ltd.*, Toronto; Mr. & Mrs. Bruce C. Samis, *Samis & Co., Ltd.*, Vancouver, B. C.

Mr. & Mrs. Howard W. Hunter, *Equitable Securities of Canada Ltd.*, Toronto; Mr. & Mrs. H. G. Herman, *A. E. Ames & Co., Limited*, Calgary, Alta.; R. A. Daly, Jr., *R. A. Daly Co., Ltd.*, Toronto

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Canadian Money Market Enlarged

quirements for a new bank. The minimum subscribed capital was increased from $500,000 to $1,000,000 and the minimum paid-up capital from $250,000 to $500,000. Amendments were made in the method of offering stock, designed to make it more feasible for banks to obtain new capital, a desirable step for some banks in view of the rapid and substantial increase in bank assets in recent years. In addition each bank, if it wishes, may make its shares more easily transferable than the present book stock, a step made possible by the termination of the system of additional liability attached to bank shares that was in force when banks had note-issuing rights.

I have not attempted to enumerate all the changes made in the banking laws. But I would like to add a word of appreciation to the Chairmen and members of the Banking and Commerce Committees of the House and Senate for the courtesy shown to me and the other bank witnesses that appeared before them. There was a spirit of fair play and cooperation present at all times and a sincere effort, by all who took part, to give this country the finest possible banking legislation.

Money Market

I would like to turn now to the establishment of a day-to-day loan market in Canada, as an extension of the short-term money market that has been in operation for some years. This has occupied the attention of the chartered banks, the Bank of Canada and investment dealers for some months.

The expansion of the short-term money market will fill one of the very few remaining gaps in the Canadian financial system. With its establishment, Canada reaches another economic milestone because it should be borne in mind that an active money market operates in all countries that have attained any substantial degree of economic maturity. Such a market might appear to be a highly technical affair relating only to the banking system but, actually, it is a matter of much greater importance. It should have a direct bearing on the efficient channeling of funds for development purposes and capital investment. It should increase the mobility of short-term capital, thereby helping to reduce the cost of doing business, a highly desirable factor in a nation such as Canada that is so dependent on world markets.

May Be Expanded

In the discussions now concluded, the chartered banks have had the active cooperation of the Bank of Canada and members of the Investment Dealers' Association of Canada. It was not expected that a full-fledged money market, such as those operating in New York or London, could be created overnight but a practical start has been made and in time it may be expanded.

The banks will make available to jobbers in Government of Canada securities who have been granted rediscount facilities with the Bank of Canada a new category of call loans to be known as day-to-day loans which will be secured by Treasury Bills or Government of Canada bonds maturing within three years. These loans will be granted on a strictly day-to-day basis at the convenience of the individual banks when they have surplus cash available to employ in this manner.

Rates Will Vary

The rates on these loans will, it is expected, tend to fluctuate within fairly narrow limits not far from the yield at any time on 90-day Government of Canada treasury bills. This will apply to all loans coming within the day-to-day category regardless of the collateral but will be flexible and set by competition among the banks, varying as the underlying money market conditions vary.

Through this new medium the banks will have a very liquid form of investment which might be considered as coming in between cash and treasury bills and one which can be utilized at a lower overall cost than dealing directly in treasury bills every time it is necessary to adjust cash reserves. Investment dealers will also have a new facility for carrying inventories of short-term government securities at low rates of interest and on special and very low margins which should enable them to broaden considerably the scope of their operations in this field.

One aspect of the new day-to-day loans, which is common to all established money markets but is new to Canadian banking practice, is that they will be granted on a completely impersonal basis and the traditional customer-bank relationships will not necessarily exist in this form of lending. Investment dealers will borrow where they can to their best advantage and banks will be governed in granting or calling loans entirely by the surplus or deficiency in their cash reserves, always, of course, providing that the borrower has access to the Bank of Canada as a lender of last resort and that the collateral consists of securities acceptable to the Bank of Canada for rediscount. In these circumstances, it is apparent that pledged securities may move from one bank to another or from the banks to ultimate purchasers fairly frequently and to avoid penalizing the jobbers in their efforts to develop a broad and fluid market the banks will reduce their charges for daylight overdrafts to 40% of the former tariff.

A market of this sort is essentially one where quick assets of financial institutions or commercial and industrial corporations can be put to work for short periods of time. It will serve to fill a long-felt need in the Canadian financial system and in time, when its usefulness is demonstrated and its scope widened, may become an integral part of the commerical life of the nation.

Grahame Johnson, *Credit Interprovincial, Ltee.*, Montreal; J. M. Dillon, *Carlile & McCarthy, Ltd.*, Vancouver, B. C.; Maitland D. McCarthy, *Carlile & McCarthy, Ltd.*, Vancouver, B. C.

Mr. & Mrs. James Mackee, *Victoria Securities, Ltd.*, Vancouver, B. C.; Mr. & Mrs. J. L. Mackee, *Nesbitt, Thomson and Company, Ltd.*, Vancouver, B. C.

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Investment Policies of Canadian Life Companies

ply a submission to whatever market and other forces may have happened to be in play as funds became available for investment?

I think we must concede that while insurance companies can programme their operations in an important degree, they cannot always exercise nicely balanced selection in their purchases. A number of factors influence the development of their investment portfolios, some of which stem from the character of the life insurance business itself and some of which arise from external sources.

Internally, first, it is a fact that life companies, unlike fire and casualty insurers, are vitally concerned with interest rates. The wide benefits which a life insurance contract is able to offer to the public are based upon the magic multiplication possibilities of compound interest applied over long periods of years. Insurance premiums are calculated on the assumption that certain minimum rates of interest will be earned on the policyholders' funds, and the insurance company's contract obligates it to earn a stated rate so long as that contract is in force.

Other policy considerations also arise from the nature of the life insurance business. A company's prime objective must be to provide insurance to the policyholder at the lowest possible net cost. This calls for a proper balance of emphasis between security of principal and interest return. Investments must be diversified for safety and adequate liquidity must be maintained to meet reasonable contingencies. These are the copy-book maxims of the business and I am sure they are quite familiar to you. They will always be given great weight in investment policy decisions, no matter what other considerations are brought to bear.

External Influences on Investment Policy

Turning next to the external influences upon investment policy, we readily name two—economic forces and governmental forces. The two are not always easily distinguished from each other. To illustrate these, let us look again at the portfolio changes which have occurred since 1945.

As we have seen, the close of the war found insurance companies heavily invested in government bonds, which had been purchased in support of the war effort. There was, indeed, little alternative demand for the funds at the time. Was 60% of assets too great a proportion to have invested in that form? The companies thought it was, in the light of the alternatives then beginning to be available to them. They were not unduly concerned to maintain any theoretical portfolio balance —except in the sense that the ideal portfolio should be so composed as to produce the best net-end result to the investor under circumstances as they are able to be foreseen at the moment. It rather reminds one of a famous golfer's answer to someone who asked him what shot he considered most important in golf. His reply was, "the next one."

As a practical matter, a large holding of government bonds yielding only 3% was too rich for the digestion of the industry at a time when most of its contracts were written with a relatively high assumed rate of interest. The end of 1945 found the average gross rate earned by insurance companies on their investments at the low figure of 3.89%, with a downward momentum which was not to be checked for a further two years. Meanwhile, the economy required new capital for postwar conversion and expansion in order to meet a long-restrained backlog of consumer demand. A residential building boom, under strong government sponsorship, also required to be financed. These projects offered interest rates more in keeping with the contractual needs and historical inclination of the insurance industry. Here, then, as in the United States, the companies found their government bonds a natural source of funds to augment their normal investible income to meet the demands and the investment opportunities of the postwar years.

Criticism was sometimes directed at the insurance companies, at the time, because of the ultimate inflationary effect of these sales of governments. No objection was raised, however, by the central banking authority which, as the only purchaser capable of absorbing so large a volume of bonds, needed only to withdraw its support of the market to check the whole operation. Eventually, exactly this was done. In the meantime, however, the central bank, by tacitly maintaining the market, actively facilitated the flow of insurance funds into industry and the construction field, apparently feeling that the long-term answer to inflation was likely to be best found in expanding national production.

Government Influence

It must be recognized that government policy will always exercise a major influence on the investment operations of our companies. This has been increasingly the case since the emergence, 15 years ago, of the Bank of Canada as an effective instrument of government in directing the level of interest rates. The Bank's action not only affects business conditions generally, but frequently influences the manner in which life insurance companies' funds are to be employed.

If one seeks to trace investment policy through these postwar transactions, he may conclude that the companies were, in effect,

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A. G. Lang, *Merrill Lynch, Pierce, Fenner & Beane*; Toronto; James C. Edwards, *Matthews & Company*, Toronto; Mrs. David Crowley, Winnipeg, Man.

Harold S. Backus, *McLeod, Young, Weir & Company, Limited*, Toronto; Jack Kingsmill, *Investment Dealers' Association of Canada*, Toronto

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running before the economic winds rather than following their own pre-designed programmes. They bought great quantities of government-subsidized mortgages and accepted large blocks of securities underwritten by our good friends, the investment dealers. At the same time, however, they were methodically changing the character of their portfolios along lines more suited to the requirements of the insurance business. They were also bringing their investing machinery to a level of efficiency probably not enjoyed by the industry previously. The mortgage field forces, which had declined in importance during the depression years, were rebuilt, and security analysis techniques were intensified.

The most generally recognized aspect of the government's influence on investment policy takes the form of direct statutory regulation. The Canadian and British Insurance Companies Act dictates the types of investments permitted to insurers. It provides for the inspection of their business, prescribes the form of their Annual Statement, and directs how their assets shall be valued for statement purposes. It prescribes penalties for failure to comply with its terms. The legal framework thus provided for Canadian insurance operations is less restrictive, perhaps, than that of some American states, but is considerably more restrictive than that of the United Kingdom. It is, however, a natural development of the conditions under which the insurance business has grown up in Canada. It is a singular testimonial to the general acceptance of this Act, and to the sound administration it has received from the Dominion Department of Insurance, that the companies cheerfully conform to its provisions although they are aware that it is probably unconstitutional.

One may, perhaps, express a personal view, however, that the Act would benefit, at least in its investment terms, from more frequent amendments in order to keep it abreast of the changing needs of the economy. After the late war, an industry committee undertook a study of the Act with a view to having it brought up to date. There had been relatively few major changes since the depression years and the companies accumulated a number of suggestions for amendments. With two or three important exceptions, their recommendations proved acceptable to the Department of Insurance and became law in 1948.

You will no doubt recall that the 1948 amendments provided new standards of eligibility for debentures and stocks, and created the so-called "basket" or "leeway" provision under which companies were given a quite wide discretion in investing up to 3% of their assets. It is under this "basket" provision that companies have been able to make some entry into the field of direct ownership of real estate for the production of income and, also, to employ that useful medium — the purchase lease-back.

By a further amendment in 1950, the Act accorded recognition to real estate investment, apart from the "basket," as a proper use for a limited part of company assets up to 5%. The industry has already made good use of its new powers.

Responsibilities For Use of Funds

A further external influence upon the course of life insurance investments lies in the companies' awareness of their responsibility to use their funds so as to make the greatest possible contribution to the advancement of the Canadian economy. The life companies now marshall a very important part of the national savings and they recognize that their placement may be quite significant to the general economic welfare. It is pointed out with increasing frequency that anything which contributes to the general economic welfare must also contribute, in the long-run, to the welfare of insurance policyholders. Let us consider this for a moment.

Is there some public obligation on insurance companies to hold government bonds in volume? We have already noted the inadequacy of the yield on governments in recent years in relation to the contractual obligation contained in most insurance contracts. A recent American study sums up the historic role of the government bond—as an investment medium for life insurance funds only in emergencies or when no other form of outlet is available, except to the degree that it is held for purposes of providing liquidity. So far as the liquidity factor is concerned, it has lost some of the significance it once possessed. The record of the industry shows that over a long period of years (including the depression thirties) the current income of life companies has always been greater than the outgo. Moreover, there is some reason to question whether government bonds, except of very short-term, could ever properly be considered to be entirely liquid investments.

The market for governments is, perhaps, somewhat more protected than it used to be, since we now have the paternal influences of the Bank of Canada. Nevertheless, the Bank is free to limit or withdraw its bids at its pleasure. The ordinary market is always unlikely to be able to absorb the sizable offerings which might appear in an emergency.

Expression has recently been given to the opposite view by Mr. O. Kelly Anderson, President of New England Mutual Life Insurance Company. Mr. Anderson is able to see a practical benefit to policyholders in the purchase of certain types of government bonds. As you know, the U. S. Treasury has indicated a desire to

George Adams, *C. C. Fields & Co.*, Toronto; P. K. Hanley, *C. C. Fields & Co.*, Toronto

Mr. & Mrs. W. Arthur Woodcock, *Chas. H. Burgess & Company*, Toronto

place a greater proportion of national debt in long-term securities but has not been able to do so. New and refunding Treasury issues have had to be placed in the short-term market where the commercial banks are the principal purchasers, and the resulting enlargement of bank reserves has been highly inflationary. Mr. Anderson reflects the concern of the industry about the injury which inflation can work upon the future beneficiaries of its policyholders. We have seen the purchasing power of the 1940 dollar decline to 53c and he points out that a continuation of that trend would be much more serious to the future recipient of insurance dollars than any small loss in interest yield now sustained by insurance companies through buying government bonds instead of higher-yielding securities. He suggests, therefore, that life companies should stand ready to buy substantial amounts of long-term government bonds in order to keep government financing on a non-inflationary basis so far as they are able.

In Canada, where government policy in this respect has been more successful — financing has been able to be carried out largely in the long-term market. The need, therefore, for life company support is not at the moment so great — but investment officers would no doubt agree with Mr. Anderson that it is in the policyholders' long-term interest to do their part to support non-inflationary types of financing when other purchasers are not equal to the task.

Such influences on investment policy, external and internal, as I have referred to, are only a sampling of those which have left their mark on postwar insurance portfolios.

If we choose now to look forward rather than back, it is already possible to see the emergence of new forces which will create new policy problems for the companies. For some time, we have been moving into a period of lower interest rates and we must still make some further adjustments if we are to continue to live with these. We must also recognize that, at least in some cases, these rates contain a concealed hazard from the fact that they are partly artificial—rather than the full product of free market interplay of supply and demand. If we believe that there is always a true price for the hiring of money and that that price is set by the balancing of supply and demand, it follows that insofar as artificial factors enable borrowers to obtain money at some other price, there is created a differential which has to be absorbed in another segment of the economy.

Greater Field for Investments Needed

In recent years, there has been serious concern among insurance companies about the narrowing field of investments legally available to them. There is general confidence that our dynamic economy will develop new investment demands for the accumulated savings of life policyholders—in fact, it already appears that the financing which the future may require will not always be of the traditional types in which life companies are expected to invest —and our present powers of investment may not be wide enough to encompass them.

Research conducted in recent years within our industry confirms that the growth of funds in the hands of institutions is proceeding at a more rapid pace than the supply of securities eligible for investment by them. The competition among investors for this relatively diminishing supply has a tendency to over-price such securities when they appear. As one authority describes the situation—institutional investors who are confined largely to the field of debt obligations are, in such circumstances, paying something for legality as distinguished from investment quality.

What are the new areas of investment capable of being opened to life insurance funds? Many are suggested but the only ones which seem likely to provide the volume required are in the equity or ownership field. The conception of an insurance company as an owner rather than a creditor in the field of finance is, of course, not new. For many years, the Canadian and British Insurance Companies Act has permitted the acquisition of preferred and common stocks and, since 1948, as we have seen, the ownership of real estate has also been allowed. The Act in its present form limits, however, directly as well as, perhaps, indirectly, the full use of these instruments.

In the case of real estate, we have the direct restriction to 5% of assets which must cover purchases under the specific real estate section, as well as the real estate in the "basket." In setting this limit, the Insurance Authorities were understandably cautious—but perhaps we may hope that when we have had time to demonstrate the worthwhile character of such investments, the limit will be raised to substantially higher levels.

It is recognized that in acquiring equities the investor loses the benefit of the cushion which would protect him if he were only a creditor—but the insurance industry, as a whole, has always brought to bear that same degree of conservatism in the equity field that it has in the other classes of investment available to it.

The Question of Investment in Stocks

With respect to stocks, it may appear at first glance that the Canadian and British Insurance Companies Act gives plenty of room for activity. No limit is placed on the volume of preferred stocks which may be acquired and, in the field of common stocks, the limitation to 15% of ledger assets appears quite reasonable at the moment. However, the limit to 15% might be more fully exploited if some practical way could be found to cushion the effect of the wide market value fluctuations which a large holding of common stocks exercises on the portfolio. At the present time, industry holdings of common stocks comprise only about 2% of assets.

This is part of a valuation problem confronting insurance companies in both United States and Canada today — a solution of which might radically change the

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Andrew S. Beaubien, *L. G. Beaubien & Co., Ltd.*, Montreal; J. Ross Oborne, *Nesbitt, Thomson and Company, Ltd.*, Toronto

Mr. & Mrs. D. R. Wiley, *Harrison & Company, Ltd.*, Calgary, Alta.; Mr. & Mrs. J. M. McConnell, *Nesbitt, Thomson and Company, Ltd.*, Montreal

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whole course of insurance investment. It involves not only stocks, but also a major part of the bonds and debentures which our companies hold. Each year-end, life companies are required to value their portfolios for purposes of their Annual Statements. A substantial portion of their investments, other than mortgages, is required to be taken into account at market values on that date. In fact, one of the attractive characteristics of a mortgage portfolio is that it may be carried into the balance sheet at book value. Evaluation based on market prices is a very unsatisfactory method from the companies' point of view, because market values are subject to wide swings, often unrelated to the true worth of the securities concerned.

It is hardly necessary for me to point out to this audience that the market quotation on a blue-chip stock, or even a high-grade bond, may rise or fall noticeably in a single day for reasons entirely unrelated to the business operations of the company concerned — its earnings record — or its ability to pay dividends. On the other hand, market fluctuations of bonds or stocks are of little immediate importance to life companies as we are, by our nature, long-term investors. On bonds, we look for the regular payment of interest and the ultimate payment of principal at maturity. On stocks, our primary concern is income.

We are not exposed to pressures to liquidate assets to raise funds. Our normal current income is, in practice, more than sufficient for all requirements and this is now augmented by the increasing volume of repayments on serial issues and the heavy monthly rate of repayment on mortgages.

It is evident, therefore, that the use of market values may, under unduly exaggerated or depressed market conditions, present an unfair picture of a company's financial position. A step was taken in the right direction in the latest amendment to the Insurance Act in permitting the use of amortized values instead of market values on direct and guaranteed Dominion, United States and United Kingdom federal bonds and Canadian provincial bonds — an amortized value being one determined by reference to the yield at which a security was originally purchased. This, of course, insulates the favored classification against portfolio market declines —but other important segments of our securities still remain fully exposed to the uncertainties of the market, including the whole field of corporate bonds and stocks. A much greater measure of freedom has been granted insurance companies in the United States for many years, where practically all corporate bonds and debentures are now amortizable.

The fact that market values play such an important part in the considerations involved in the construction of company statements naturally has the effect of compelling unduly a company's attention to the likely market action of classes of securities from time to time as a matter of investment policy. Such considerations can frequently prejudice the pure investment merits of a situation. The use of amortized values for statement purposes, which has been so generally accepted as desirable in theory and has found such practical application in the insurance experience of the United States—would do much to correct this difficulty. The development of a systematic method of valuing common and preferred stocks for statement purposes—which would cushion the effect of wide fluctuations — has been under study for some time by an industry committee in the United States. It could do much to extend the attractiveness of the field of common and preferred stocks for life insurance investment in that country.

So long as companies are compelled to guard themselves against the possibility of wide market fluctuation on any considerable part of their assets, they will have little room to invest in preferred and common stocks—where market variation is seen in its most exaggerated form. Until this situation is corrected, even the present legal amount allowed to be held in common stocks is of little practical significance.

Municipal Securities

Mr. Gingras, in inviting me to be your guest today, suggested that I might contain in my remarks some observations on municipal securities and finance from the point of view of the institutional investor, such as life insurance companies. There is, of course, a fine distinction, which you will at once have recognized, between municipal securities and municipal finance which may be better demonstrated by allusion to the bride, who explained to her mother that she and John had come to a satisfactory operating arrangement in connection with the household budget—he would look after the finance and she would look after the money!

It is quite possible for a municipality to enjoy a strong financial position and a long history of integrity but if it offers securities for sale which are not tailored to meet the investment needs of the life insurance industry, then they cannot expect to be readily sold there. Naturally, this is not an error of which any large municipality is likely to be guilty. Investment dealers are known for their ability to interpret wisely to the borrowing community the terms which will provide the closest possible bal-

J. A. M. Belshaw, *Brawley, Cathers & Company*, Toronto; Nigel H. Gunn, *Bell, Gouinlock & Company, Limited*, Toronto; Mrs. G. M. Wilson, Toronto

George Heywood, *James Richardson & Sons*, Vancouver, B. C.; David Crawley, *James Richardson & Sons*, Winnipeg, Man.; L. W. Virtue, *James Richardson & Sons*, Toronto

ance between the respective needs of borrower and lender.

Since the market for such securities is generously favored by the insurance companies, it is natural that the financing needs of municipalities should, in turn, be tailored, to a considerable extent, for this market. While experience over many years has demonstrated that the securities of well-administered municipal authorities, both large and small, are a sound location for policyholders' funds — municipal securities present the elements of a social challenge of the type that insurance companies are not inclined to ignore. If, on the one hand, we, as an industry, are to continue to assist susbtantially in providing housing and like facilities through our mortgage operations—we cannot ignore the need which this operation in itself will create for local improvements, schools, fire protection and so forth.

If our expanding mortgage operations, which inevitably must be in the newer and fringe areas of our expanding communities, are to enjoy the essential characteristics of soundness—then the mortgaged premises must have accessibility to roads, to public transportation, adequate schooling facilities, fire and police protection, and essential water and sewage facilities. Unless these can be provided by our municipalities on the one hand, our mortgages will lack essential elements of adequate security on the other.

Successful municipal financing cannot, of course, hope to rely solely upon the assurances of this essential relationship. Somewhere, the equating and equalizing ingredient of the rate of interest must assert itself and the needs of the municipal borrower be brought into a measure of realistic competition with the financial needs of industry and others.

In subjecting any municipal situation to analytical scrutiny, the first and natural approach is to its general financial position—the size of its debt, the rate and incidence which its repayment will impose upon the municipal resources, the rate, resilience and stability of its tax and other revenues. Against these factors, we naturally scan the terms of the proposed financing and the facilities to be provided and burdens which they, in turn, will impose. Lastly—and most difficult of all to assess—is the willingness of the borrowing authority to meet its obligations—in other words, the character of municipal management.

In corporate finance, willingness to pay is bolstered by the realization of the drastic consequences which can occur upon default. To the municipal or other government borrower, the consequences are hardly as horrendous. While the business man may lose control of his company, the city father is not unknown to have pictured himself as a hero for having stood off the money barons and the capitalists of St. James and Bay Streets. In reality, he is in a fair way to undermining the credit of his community, and increasing the cost of insurance protection for policyholders of life insurance companies everywhere.

At the municipal level, defaults in Canada were, of course, numerous during the depression of the '30s. Courage, patience, and determination by local governments, provincial authorities, and debenture-holders have brought most of these to settlement on bases which have preserved the credit of the borrower, with justice and equity to debenture-holders. In many instances, such as the municipalities surrounding Toronto, financial difficulties were due almost entirely to unwise spacing of maturities or a too heavy rate of required repayment for rapidly expanding municipalities. In others, closing of one or two major industries, with attendant unemployment and tax delinquency, precipitated serious strains on municipal finance. Fortunately, in only a very small number of instances was default premeditated in an effort simply to exact more favorable terms from debenture-holders. In some instances, political considerations either accelerated an already hopeless situation or created the crisis in a marginal one.

In practically every instance, adjustments were possible to lessen the immediate pressures, without involving either a loss of face to the debtor or a grave financial one to debenture-holders. In a few instances, where the bondholders concluded that their confidence and judgment had been seriously in error, some losses had to be absorbed. Looking back, the maze of problems which have been so amicably and reasonably settled in the last 20 years bears a striking testimony to the sincerity of Provincial regulatory bodies, the integrity of our municipal administrations and, I must in fairness add, to the confidence and patience of debenture-holders, among whom ranked very largely the insurance and trust companies of Canada.

Such a period is, of course, not all sweetness and light. In fact, there is often more heat than the latter—but where a genuine and honest desire on the part of municipal authorities existed to meet their liabilities, some arrangement almost invariably eventuated. Some aftermath of the problems of that era we inherit today. A few of the defaults persisted for protracted periods, largely because no solution of a practical nature could be found to be mutually acceptable. In these instances, the very delay was, of course, a matter of financial relief to the municipality. As one authority has observed—no debt is a burden if it is not repaid and never bears interest.

If creditors have long memories, how is it that so many municipalities which defaulted can now finance on relatively favorable terms? The answer lies, I believe, essentially in the understanding

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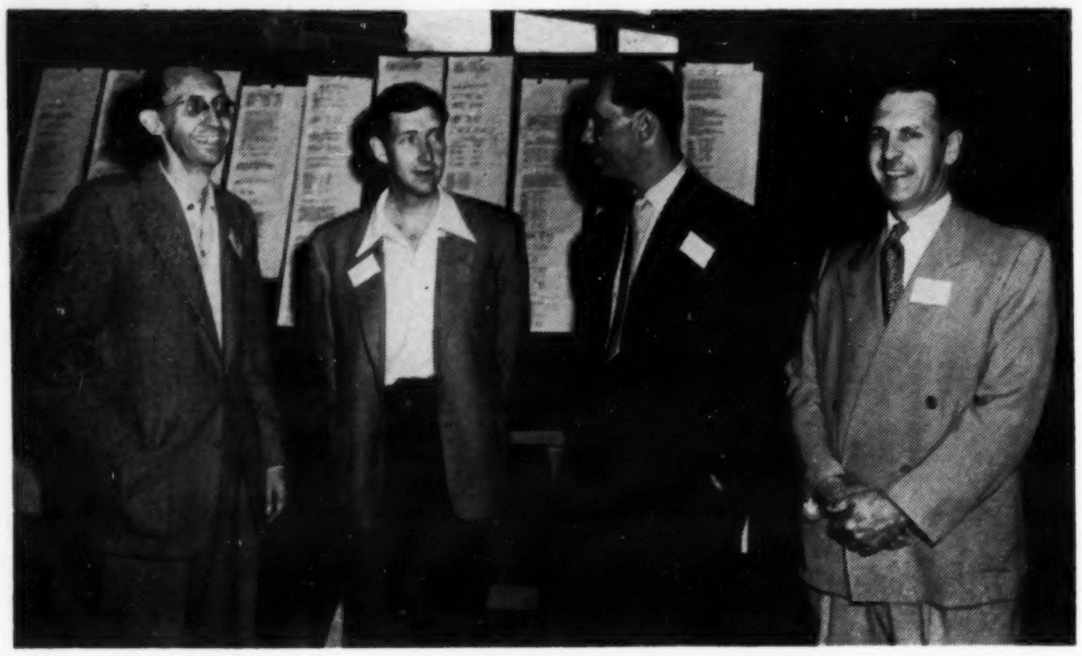

Albert J. Cartan, *Harrison & Company, Ltd.*, Toronto; E. G. Percival, *Harrison & Company, Ltd.*, Toronto; L. R. Learn, *Nesbitt, Thomson and Company, Ltd.*, London, Ont.; "Dutch" Fisher, *Walwyn, Fisher & Co.*, Toronto

Mr. & Mrs. H. H. Dingle, *Wood, Gundy & Company, Ltd.*, Vancouver, B. C.; M. F. Newman, *Cochrane, Murray & Co., Ltd.*, Toronto; Mrs. D. N. Knight, Winnipeg, Man.; J. Ross Murray, *A. E. Ames & Co., Ltd.*, Winnipeg, Man.

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which the institutional creditor, like life insurance companies, has of the underlying causes which precipitated default in individual cases. Where such causes were valid, there is little reason for recriminations today. But effective willingness to pay must lie with the municipal officers. They may be overwhelmed, of course, at times by local political pressures but—in the final analysis—their attitude must inevitably come to the fore. If they have sufficiently evidenced this integrity, they are reaping the dividends from it now.

Summary of Canadian Municipal Securities Situation

How do our institutions regard Canadian municipal securities at the present time? I believe—generally with approval. Nevertheless, I would be less than frank if I omitted reference to some of the uncertainties on the horizon.

There will, of course, always be clouds of some kind on the horizon—and they always appear larger or smaller in fact than they eventually turn out to be—at least to this observer. If concern becomes more widely accentuated on some of these aspects of our municipal financial situation — it would find eventual reflection in the relative acceptability of municipal securities amongst our investors. At the moment, from the rates which municipalities, as a class, command, these uncertainties do not weigh heavily upon the consciousness of the investor group.

What are these clouds? First, there is the inability of municipalities to secure a broader share of the total tax dollar. In fact, this concern goes so far as to recognize that the municipal share is, in fact, rapidly becoming less. Further, municipalities are still dependent essentially upon the real estate tax, while their obligations require them to meet modern methods of transportation, water supply, sewage disposal, schooling and extensive social services, which increase yearly with rising costs of labor and material. Many municipalities have preserved the appearance of a balanced budget in the face of these conditions only by the simple expedient of not keeping up normal maintenances. Sooner or later, this accumulated shock will have to be met.

Secondly, I believe that our school set-up invites some reconsideration. Those who are responsible for our school policy might also be made more responsible to the councils which provide their budgets. Our present system condones extravagance, avoids financial responsibility, and duplicates political and administrative machinery. It is a luxury which our municipal budgets may not be able to continue to afford.

Thirdly, a general reassessment and realignment of responsibilities, as among the municipal, provincial, and Federal taxing authorities. Modern transportation methods, interdependence of all levels of government for health, safety and defense reasons, have antiquated our old conceptions of the responsible field which each should occupy. Probably no other greater problem exists to test the ingenuity and the foresight of our municipal, provincial, and Federal representatives in the years that are immediately before us. For financial considerations — while eminently important and always pressing for some new solution—must be set against the underlying necessity of preserving the principles of essential checks and balances in order to assure the continuity of our democratic Canadian way of life. This requirement is not likely to be overlooked, but it greatly increases and complicates the difficulties of an already oversized problem. We will probably never solve it but, like the hyperbolic curve, perhaps we can hope only to approach continually the axis of our ideals though never expecting to reach them.

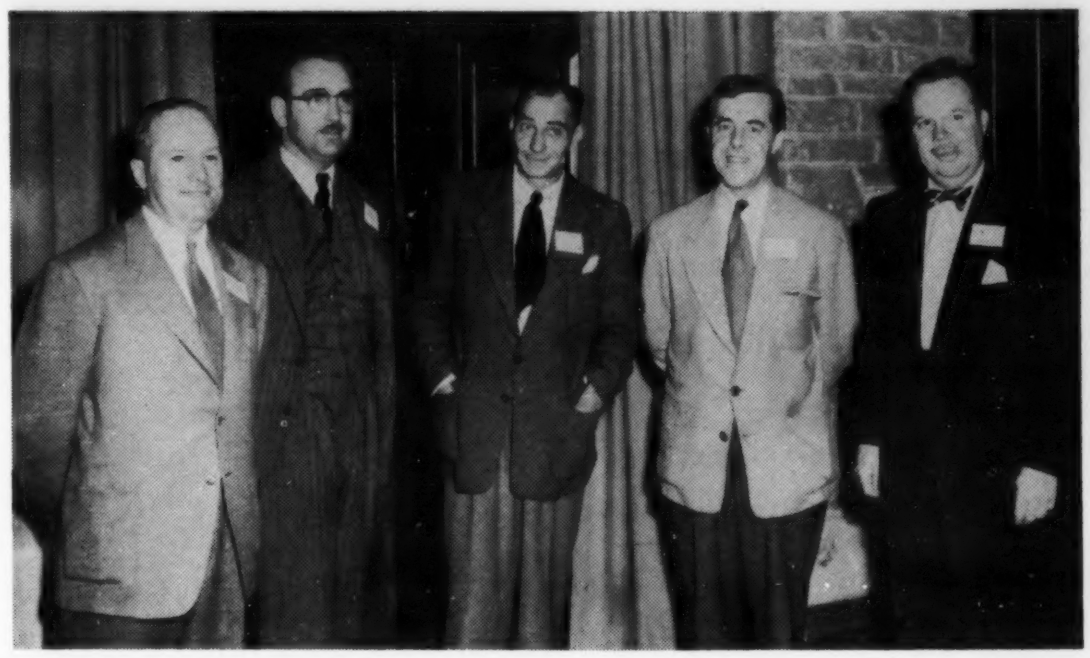
I regret, Mr. Chairman, that circumstances prevent me from experiencing the full stay of your Convention. I would have enjoyed the longer association, drawn conviction and assurance from your meetings, delighted in a wider renewal of acquaintance with so many good friends, and enjoyed meeting your young cousins, sisters and secretaries with which you seem amply supplied.

I doubt if I have told you much that in your own experience and knowledge you do not already know. Our industry and your profession exist to provide service to the public. Fortunately, our relationship is mutually compatible—for your abilities as salesmen are too well known, from personal experience, not to be regarded as — shall I say — a close second to our own.

Our mutual existence is justified only on the basis of our character and capacity to serve better and cheaper than any alternative.

I am sure there are many light moments throughout your Convention. It would not be a convention, and it would not be human, if this were not so. But it provides, I sense—as I have seen so often on other occasions—the opportunity for the affirmation of principles, for a reappraisal of responsibility, for encouragement and comradeship.

G. Lyall Fraser, *Western City Company, Ltd.*, Vancouver, B. C.; Benson L. Coyne, *Deacon Findley Coyne, Ltd.*, Toronto; C. W. McBride, *Midland Securities Corpn., Ltd.*, Toronto; G. A. Henley, *Western City Company, Ltd.*, Vancouver, B. C.



J. N. E. Grenier, *Grenier, Ruel & Cie., Inc.*, Quebec, Que.; D. S. Beatty, *Burns Bros. & Denton, Limited*, Toronto; C. J. Dill, *Royal Securities Corp., Ltd.*; Vancouver, B. C.; Jean T. Gendron, *J. T. Gendron, Inc.*, Quebec, Que.; Joseph C. Cabble, *Burns Bros. & Denton, Inc.*, New York City

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tory bond maturities which exceed $1 billion each.

Another important fact is that a relatively large portion of governmental and corporate financing has been carried on in the United States market—the lower borrowing costs and the facility to place large amounts which exist there being considered sufficient to compensate the risk to the borrowers of a premium on U. S. funds in the future when interest and principal are due.

The Canadian Dollar . . . a Thing of Pride, a Thing of Hardship

Parity with the United States dollar was reached and passed in March of 1952. Since that time the premium has ranged from a high of 4.3% in August, 1952, to a low of 0.2% in May, 1953. Recently our dollar in terms of United States funds was quoted at a premium of 1½%. It is not an unusual occurrence for our dollar to sell at a premium over United States funds. What is unusual, however, is the recent persistence of this premium rate.

Essentially there are two factors which determine the exchange rate of the Canadian dollar. Firstly our trade balance, and secondly, the inflow of investment money from abroad. It is this second feature which in the past two years or so has maintained our dollar at a premium in terms of United States dollars. Attracted by our abundance of natural resources and by the growth potential of our country, investment dollars, particularly from the United States, have been flowing into Canada at a rate that has given us a sizable net balance on the capital account of our balance of international payments. Another factor: because of the difference in yield rates between Canada and the United States, Canadian borrowers have been going to the United States market for funds. The proceeds of issues floated there are payable in Canadian dollars and this again creates a demand for them, tending to force up the price of the Canadian dollar in terms of U. S. funds.

TABLE I
(In millions of dollars)

	1954 To May 17	1953 To May 18	1953 12 Months	1952 12 Months
Government of Canada	$2,360.0	$1,995.0	$5,625.0	$4,662.8
Govt. of Canada Guaranteed	200.0	----	----	----
Provincial	132.0	123.0	258.5	216.1
Provincial Guaranteed	96.8	44.7	178.1	212.7
Municipal	78.9	58.3	222.0	216.1
Corporation	330.4	224.6	336.3	548.4
	$3,198.1	$2,445.6	$6,619.9	$5,856.1
Less: *Short-term financing	1,510.0	1,595.0	3,665.0	3,875.0
	$1,688.1	$850.6	$2,954.9	$1,981.1

*Less than one year.

Of the above the following amounts have been sold in New York:

	1954 To May 17	1953 To May 18	1953 12 Months	1952 12 Months
Provincial	$62.8	$77.5	$127.5	$97.0
Provincial Guaranteed	----	----	60.0	1.8
Muncipal	25.7	----	41.1	47.7
Corporation	78.0	78.0	78.0	130.9
	$166.5	$155.5	$306.6	$277.4

When our dollar reached and passed parity, I think that almost all Canadians were proud, at least inwardly. However, after a deeper and more realistic look at the situation, it became clear that because of this premium, Canadian companies who export their goods suffer in competition with other countries producing the same goods. This premium, coupled with our high standard of living and high wage scales, makes our basic costs higher than those of our competitors. After more than two years of a premium dollar, many Caandians now feel that we would be better off with our dollar nearer parity. Some go so far as to say our economy would benefit more if the dollar were at a slight dis-

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Mrs. Robert Ouimet, Montreal; Mrs. R. B. Casgrain, Montreal; Mrs. A. Lang, Toronto; Mrs. W. M. Tafts, Toronto

Mrs. Telfer Hanson, Toronto; Mrs. David Howes, Toronto; Mrs. Joseph Cabble, New York City; Mrs. D. S. Beatty, Toronto

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count—even though our pride might suffer a little.

Foreign Investment in Canada

Table II shows for selected years the investments in Canada owned by investors in the United States, United Kingdom and other countries, and what percentage these totals represent of our gross national product on a net basis.

From time to time we hear people alleging that each year more and more of Canada is owned by non-Canadians. However, as may be seen from the table, the trend since 1930 has been towards Canadians owning an increasingly greater share in their own country.

The accumulated value of all foreign capital invested in Canada is now a smaller proportion of the country's total capital investment than in earlier years. Although no comprehensive or current data are available, an official publication gives some indication of the extent of the changes in ownership for two specific areas of investment.

In Canadian industry, between the end of 1939 and the end of 1950, total non-resident ownership declined from 38% to 31% of the total, though the United States portion increased slightly from 22% to 23%. In the distribution of ownership of Canadian bonds, non-resident holdings represented over one-third of the total Canadian bonds in 1939, whereas at the end of 1952 they represented less than 16%.

In any event, we have no cause to be alarmed about people outside of Canada investing in our country. There is much to be done, and much money is needed to do it. The fact of the matter is we do not have enough money to do all that should be done. This situation is improving from year to year and the 20% tax credit on dividends allowed to Canadian shareholders is proving to be an important factor in this trend.

Our Relations With Other Financial Institutions

As mentioned at the outset, 1953 was a record year for many branches of Canadian industry, and so it was for the Canadian chartered banks. Their growth during the past 10 years has been phenomenal. From 1944 to 1953, current deposits increased from $2.1 billion to $3.1 billion, a 47% increase, and savings deposits from $2.5 billion to $5.2 billion, a 108% increase. Loans increased from $1.05 billion to $3.88 billion for a 270% rise. However, during this same period the combined Paid-up Capital of the banks rose from $145.5 million to $152.5 million or only 4.8%. During this same period, the Reserve Fund, also belonging to shareholders, increased from $136.8 million to $260.4 million or 90%. In other words, the shareholders' investment has not kept pace with banking operations and there has been speculation that the banks will possibly be doing some new financing to remedy this situation. Recent strength in bank shares, other than strength caused by such things as increased earnings, is in part due to this possibility.

The regulations of the Securities Exchange Commission in the United States and the Bank Act in Canada have made it difficult to get any increases in capital through on terms which would be satisfactory to our chartered banks. One of the main objections has been that the Bank Act of 1944 required new offerings of shares to be made to all shareholders. December 1953 figures indicate that somewhere in the neighborhood of 6% of the shares of the Canadian chartered banks were held by investors in the United States. SEC regulations made offering of new shares to them a difficult task. Recent changes in the Bank Act will provide that chartered banks will not have to offer new shares to shareholders in countries whose requirements exceed those of Canada; this will facilitate new share offerings by our banks.

This year has seen the entrance of the chartered banks into the mortgage field. Canada needs

TABLE II

The Canadian Balance of International Indebtedness*

	Billions of Dollars at End of—				
	1926	1930	1939	1945	1952
Investments in Canada Owned in:					
United States	$3.2	$4.6	$4.2	$5.0	$8.0
United Kingdom	2.6	2.8	2.5	1.7	1.8
Elsewhere	0.2	0.2	0.3	0.4	0.4
	$6.0	$7.6	$7.0	$7.1	$10.2
Total Canada's Foreign Assets	1.3	1.4	1.9	3.7	6.0
Net Investment Debt	$4.7	$6.2	$5.1	$3.4	$4.2
Net Sundry Claims	0.3	0.4	0.5	0.4	0.6
Net International Debt	$5.0	$6.6	$5.6	$3.8	$4.8
% Gross National Product	94	119	98	32	21

*SOURCE: Dominion Bureau of Statistics.

(While no figures are as yet available for 1953, the Dominion Bureau of Statistics has estimated that Canada's transactions with other countries in that year contributed to a further growth in her international indebtedness and that it is approaching the level of $5.6 billion recorded in 1939.)

Ralph Blackmore, *Globe & Mail*, Toronto; Ray Trigger, *Investment Dealers Digest*, New York City; Mr. & Mrs. Harry Gassard, *Investment Dealers' Association of Canada*, Toronto; Frank Rose, *Dow Jones & Co.*, New York City; Doug Colvey, *Dow Jones & Co.*, N. Y. C.; Sid Brettingham, Montreal

J. Ross Oborne, *Nesbitt, Thomson and Company, Ltd.*, Toronto; Mrs. Eric M. Duggan; Mr. & Mrs. Edward M. Saunders, *E. M. Saunders Limited*, Toronto; Eric M. Duggan, *D. M. Duggan Investments, Ltd.*, Edmonton, Alta.

housing, and needs it on terms which will make it possible for those in the lower income groups to afford their own home. In each of the past few years the demand for home mortgages has been increasingly heavy. The insurance companies, despite their policy of diverting larger proportions of funds to home mortgages, had sometimes been criticized in recent years for failing to make even more money available. Under the new Bank Act, the chartered banks, heretofore prohibited from loaning money on mortgages, will be permitted to carry mortgage loans. It will be several months or a year at least before it will be possible to assess what the effect of their entrance into this field will be.

In late 1953 and early 1954, the Canadian insurance companies once again became active in the bond market after what could be termed a "partial eclipse" covering quite a period of months. There would appear to be at last two chief reasons for their decision to once again emphasize bond investment. Firstly, they are doing business at a rate unprecedented in their history and they have additional funds available for investment over and above the still substantial sums of monies placed in mortgages And secondly, I would say that they became aware of the fact that interest rates were getting away from them. Missing many of the attractive investments of a year or so ago and looking for favorable yield rates, the insurance companies began to buy long term bonds. The spectacular rise in such issues as C.N.R. 3¾% of 1974 and Government of Canada 3¾% of 1978 and their purchases of the recent Canada issues illustrates, to a degree, the result of this new interest in bond investments by the insurance companies.

The Development of a Canadian Money Market

There are presently only two major money markets—New York and London. Before too many more years pass by, however, Canadian authorities are hoping for, and working towards, the creation of at least one more—a Canadian money market. The concept of a "money market" simply means a central area into which surplus short-term funds will gravitate, and one writer on the subject has described it by saying that what a bank balance is to an individual, the money market is to a nation's credit system. The first essential of any money market is the existence, or the creation of a broad short-term money market and the creation of a real "call-money" market. Steps have been taken by the Bank of Canada with these ends in view. For instance, in January, 1953, a new policy in handling short-term Treasury bills was announced. Instead of issuing the Bills every two weeks for an invariable maturity of three months, the Government began to make a weekly issue of $35 million 91-day bills and $5 million 273-day bills, more recently modified to $30 million and $10 million respectively. The reason for the change in method of issue was to provide greater variety in maturities, to attract a wider range of investors and to provide yield more nearly comparable to the yield on short-term bonds without their fluctuation in price. To develop fully our money market, the market for short term funds such as that represented by Treasury Bills must be much broader. Corporations and other holders of important amounts of liquid funds must become a vital part—both as buyers and/or sellers—of "commercial paper," no matter what it be named.

In addition, the Bank of Canada, to facilitate trade in Treasury Bills, has agreed to make delivery in City "A" even though the transaction might have been consummated in City "B." Also Bank of Canada officials have extended credit facilities to investment dealers to enable them to carry additional inventories for short periods of time. In all these things, the idea paramount in the central banking authority's mind is to indicate to corporate and other purchasers that their holdings of short term bills and bonds have a very high degree of liquidity.

The co-operation and participation of the chartered banks and all other financial institutions is, of course, essential to the development of a Canadian money market. The industrial and economic growth of Canada in recent years has captured the imagination of the world and I feel sure that those of us engaged in the industry of finance will do our part in this contribution towards complete economic maturity.

Outlook for the Balance of the Year

The beginning of 1954 could not be characterized by any one trend, either gloomy or bright. Now, at about the halfway point, economists and forecasters still are wary in predicting what the prospects will be for the full year 1954, although some of the finest economic thinkers in both Canada and the U. S. are predicting an up-turn in the second half of the year. Whatever the result, however, we should keep in mind that in a dynamic economy such as ours, there are bound to be ups and downs, and even if 1954 is not as good a year as 1953, it will still be one of the best years in our country's history.

The Challenge of Our Business

The theme of our annual convention this year is Marketing and Market Research, in other words "where are our markets and how can we reach them?" The display that will be exhibited will serve to indicate what many of our members have done and are doing to educate the public toward

Continued on page 24

E. R. Pope, *Ross, Knowles & Co., Ltd.*, Toronto; Louis Williams, *Hagar Investments Ltd.*, Victoria, B. C.;

At the annual meeting on June 11th

Continued from page 23

Economic Trends in Canada

better investment habits and equally important, what certain members are doing to broaden the basis of their business by building up a much greater following of individual retail accounts.

As I mentioned earlier, Canadians are at the present time saving more—and investing more than they ever have before. Our imaginative development of primary industries—oil, lumber, iron, waterpower — and our meteoric rise as an industrial nation have made our own people and people in other countries anxious, even eager, to participate by direct ownership in these enterprises. Many are not sure how to go about this; it is up to us to show them.

The Investment Dealers' Association of Canada

I believe that our Association has just completed a very successful year of operation. I refer to the activities of our many committees and of our permanent staff. In my visit across Canada —which included—Newfoundland for the first time—I realized the vast number of individuals and firms who are contributing their knowledge, experience, time and energy for the benefit of the membership at large. Be it at the level of Federal and provincial authorities in matters which are of immediate concern to investment dealers, such as Securities Acts and transfer taxes, or with the preparation and presentation to the public of our educational program, and in many other fields of common interest, they achieved outstanding results. Let me mention only one in particular: our booklet "To Help You Share In Canada's Growth." The material in the booklet itself brought very favorable comment from high officials in government and financial institutions and from the public for whom it is intended. 80,000 copies—70,000 in English and 10,000 in French—are making it easier for the layman to understand more about investments and the investment dealer.

Our industry has made great strides in the last decade and has contributed substantially to the development of Canada. As the investment industry has grown it has become more complex and the work of The Investment Dealers' Association of Canada in promoting the general welfare of those who own or deal in securities is becoming more important — and more evident—each year. As investment dealers we will continue to play our part in the development of Canada as one of the economic and financial bulwarks of the Free World.

Continued from page 4

Let's Treat Securities As a Commodity

bitrary, but conservative figures, you grant me that only 80% of the upper income families are financially able to invest; that 50% of middle income and only 10% of lower income families are able to invest, it would give us a figure of 1,288,224 family purchasing units financially able to invest.

Are you covering this market? The answer seems to be you haven't penetrated half of it. I say this on the authority of some other findings of the poll. We rather sneaked up on the sample, by asking those who had at one time bought stocks or bonds whether they would invest again. If they now had investments, we found they were only too anxious to tell us so. On this basis, we have 16% of adult Canadians who **now** own stocks or bonds. Projecting this figure indicates that only 545,280 households have investments, against our potential of 1,288,224. This would mean that you have tapped the potential market to the extent of only 43%!

I frankly don't know how good this figure is. It is based on very rough calculating and projections. Of one thing, I am certain, and that is that it is a conservative figure.

Based on the Brookings Institution study to which I have referred, Stewart Dougall & Associates, using entirely different techniques from those I used, estimate that 42% of the families in United States are financially able to invest, and I assume this figure would include the subsistance populations in the South. Using the process I did, we arrived at a comparable figure of 38% for Canada, so, if anything, I feel we are on the low side.

So there **is** a large potential of new customers. But going out and getting new customers is only one way of expanding a market. To continue our analogy from mercantile fields, there are two other ways.

One such additional way is to increase the quantities of the product used by present customers. In your terms, this would mean enlarging the portfolios of present investors where you felt such a step would be in the best interests, and within the capabilities of that customer.

Increasing Investment Turnover

A third way of expanding the market, beside finding new customers, and increasing quantities used by present customers, is to increase the number of uses to which a product can be put. In your terms, again, this would mean increasing turnover by reviewing the portfolios of customers, and revolving or amending them when such changes would be in their interests. I don't, of course, advocate switching for the sake of switching. But it would

Fred Griffin, *Greenshields & Co. Inc.*, Montreal; Harry Gassard, *Investment Dealers' Association of Canada*, Toronto; R. G. McCulloch, *Osler, Hammond & Nanton*, Winnipeg, Man.; D. J. McDonald, *Osler, Hammond & Nanton*, Winnipeg, Man.; Charles N. Mawer, *McLeod, Young, Weir & Company, Ltd.*, Calgary, Alta.

Gordon H. Powis, *James Richardson & Sons*, Saskatoon, Sask.; N. F. Elsey, *Wood, Gundy & Company, Ltd.*, Calgary, Alta.; Roy Beale, *Wood, Gundy & Company, Ltd.*; Regina, Sask.; W. V. Warner, *James Richardson & Sons*, Edmonton, Alta.; W. D. Ebbels, *Houston, Willoughby & Co., Ltd.*, Regina, Sask.; A. G. Thompson, *James Richardson and Sons*, Winnipeg, Man.

be interesting to know, (and here is a simple bit of research you could quickly do yourselves) what percentage of your customers have held portfolios static during the last, say, five or 10 years. During this time, think of what has happened to Canadian development, in the fields of aluminum, iron, oil, uranium, construction, manufacturing, the Seaway itself, and all the branching, corollary activities such major developments stimulate.

Step 3: Analyzing the Market: To recap, quickly, you will recall that organization of my remarks was under four consecutive headings, first of which was studying the product, second, locating and defining the market and third (where we are now), studying it to find out attitudes of people constituting this market. Just a couple of points under this heading. A few minutes ago, I told you that our National Poll found that some 45% of the adult population had **ever** invested in stocks or bonds. We asked this group: "Were you satisfied to the point that you would invest again?"

Results indicate a fairly healthy situation. Taking these investors as 100%, we find that:

70% say "Yes," they would invest again.

16%, as mentioned, told us they were still investors.

3% weren't sure and only 11% gave a categorical "No."

Not only are seven in 10 of the investing public satisfied with the experience they had, but we find that people are anxious for reliable, objective information as to how to handle their money. This doesn't surprise me. Usually, when we ask people: "What is the greatest problem facing you or your family today?" the largest single group of answers falls under the general heading of money troubles. Moreover, recently we asked Canadians what they felt was the chief cause of quarreling between husband and wife, and again, we got the answer "money." So, in this special Poll, it was not surprising that we got a big "Yes" answer when we asked: **"Although the Polls show that financial worries are named as top problem by many people, the schools don't teach young people how to handle their money better. Do you think high schools should add this to their course of teaching or not?"** Approval ran all the way from 68% in the Prairies to 80% in Quebec, for a national total of 78%. Only 15% were definitely opposed to the idea.

Step 4: "How Does Our Present Sales and Promotional Effort Stack Up Against the Facts We Have Learned from the Preceding Three Steps?"

One obvious answer lies in the vast untapped market to which I have referred—the fact that your sales efforts have left 57% of the potential market untouched.

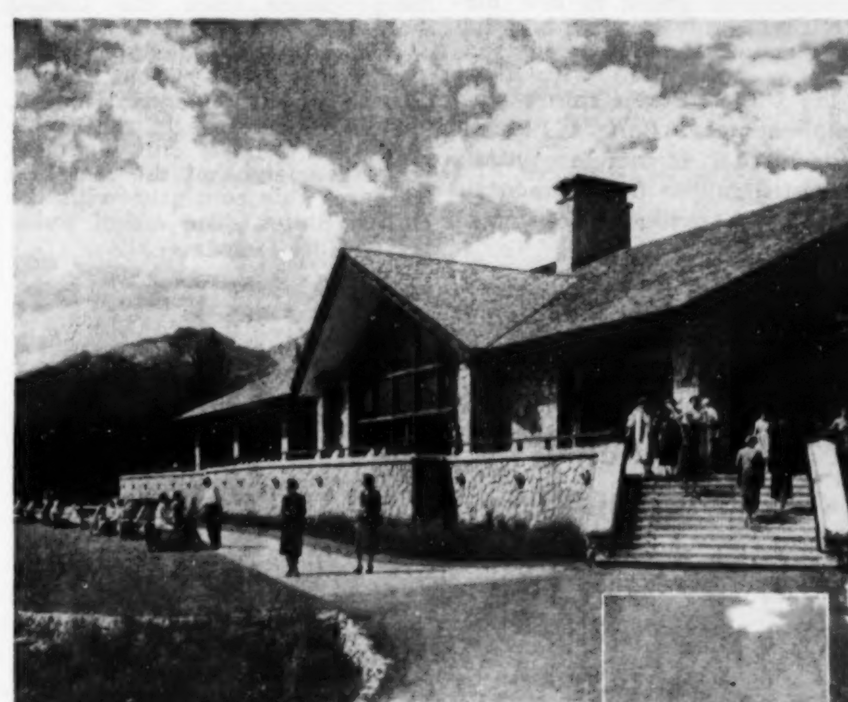
I was sincerely and tremendously impressed by the sales promotion display which I glimpsed in Toronto, and studied more fully here yesterday. Frankly, five years ago, I wouldn't have believed that investment dealers would have achieved what they have, or what some houses have, by way of direct mail literature.

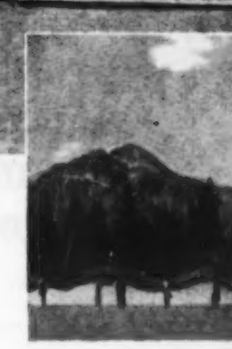
All this is excellent. You have established a pattern. But there is work to do. Just to see how many rank-and-file people were aware of the existence of your various firms, we had our interviewers put this question to people in communities of 10,000 population or more: "Do you happen to know the names of any investment dealers in this city?"

I hope the results don't shock you. The fact is that 70% of the people in these communities, know of no investment dealer as such. Another 4% said they did, but were unable to give us the names. Only 26% could give us the names of any investment dealers in their community. I haven't had an opportunity of seeing how many of these names are properly definable as investment dealers, so the 26% figure is the maximum.

I said there was work to do. We asked our sample: "Has anyone ever tried to sell you stocks or bonds by personal call or telephone?" Two-thirds (67%) said "No," they had never been asked to buy stocks or bonds. Less than one quarter (24%) said they had been approached. Maybe there is nothing you can do about this on the narrow margin on which, I know, you operate, but certainly insurance companies could not keep in business with this kind of sales record.

To summarize: In the past 20 minutes here is what I have tried to do. I have taken the four elementary steps usually used in mercantile merchandising, and applied them to the investment business, treating securities as a commodity. I have indicated that the potential is a vast one, and that you have so far penetrated it to the extent of only 43% which I believe to be a maximum figure. I have tried to convince you that, although the work this association, and you as individual houses, have done in the past five years is very impressive and worthwhile, the fact is that you have, as individual firms, made yourself known even by name, to only about one-quarter of the people in your communities. This ties in with the fact that only about one-quarter of these people recall ever being asked to buy securities.





Mr. & Mrs. Roy Meredith, *Ringland, Meredith & Co., Ltd.*, Lethbridge, Alta.; Mrs. Grahame Johnson, Montreal; A. J. Barker, *Thomas B. Read Company, Ltd.*, Vancouver, B. C.; Mr. & Mrs. J. E. MacDonald, *Pemberton Securities, Ltd.*, Vancouver, B. C.

A. I. Matheson, *Dominion Securities Corpn. Ltd.*, Montreal; C. E. Jolly, *Dominion Securities Corpn. Ltd.*, Toronto; J. M. Duff Wood, *Fry & Company*, Toronto

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Canada's Rank Among Industrial Nations

States of iron ore may [soon] . . . meet one-quarter of the requirements of the American steel industry working at full capacity." These are facts that we must keep in mind. They indicate the extent to which the economies of Canada and the United States are complementary. They must not, however, blind us to the fact that, as Canada develops, the proportion of manufactured goods to raw materials will grow steadily, and that many of these manufactured goods will be competitive with those of the United States rather than complementary. Canada, like the United States, is therefore vitally interested in the development of multilateral trade and looks on its mutual trade with this country as the central core of a widely spreading network.

This core which is the material embodiment of the mutual friendship and economic interdependence of our two countries, is of tremendous importance. I have already mentioned that the Imperial Preference of 1897 was, in a sense, Canada's declaration of independence from the United States; and, in 1931, by the Statute of Westminster, Canada declared its independence of Great Britain. Canada is an independent nation, visibly on the march, as I have suggested to you. But we must never lose sight of the fact that it shares this continent with the United States. The recent Paley Report, which emphasized the inadequacy of American supplies of certain basic raw materials, should have had a more extended appendix, indicating the extent to which Canada could fill that gap. If we look at our physical resources in continental, rather than national pattern, there are very few things that North America lacks, but we share more than physical resources. We share something that, with not too much stretch of the imagination, can be called the same language; we inherit the same literary traditions, so far as English-speaking Canadians are concerned; and all Canadians and Americans, no matter what their national ancestry, share the same ideals of individual freedom and of human dignity.

In partnership, Canada and the United States constitute the last great bulwark of human freedom and opportunity in a world that is growing steadily more restricted and troubled. I might quote from another poem that Rudyard Kipling wrote during that same Diamond Jubilee period:

"For my house and thy house
no help shall we find
Save thy house and my house—
kin cleaving to kind;
If my house be taken,
thine tumbleth anon.
If thy house be forfeit,
mine followeth soon."

No man in North America dare gainsay the truth of those words. But we do not always act in that spirit. A few months ago, speaking before the International Municipal Congress that was meeting in Montreal, the Prime Minister of Canada pointed out: "We as an exporting nation do not relish being regarded as marginal supplier, cut off, whenever the going is tough for those with whom we happen to be competing; indeed, we want to be as sure as we can of a continued access to the markets we have established over so many years; we don't want to build up an industry to supply a particular need, and then have the market suddenly cut off without warning. And we don't want either to see the kind of ill will develop which that kind of action inevitably creates. . . . We Canadians ask for as free a trade with the United States as can reasonably be achieved without upsetting your or our economy: we ask for no special favors that you would not grant to the rest of the free nations, but we would like to feel that we know where we stand in our commercial relations with each other, as in every other aspect of our relations, and we would like to be sure we are not standing on sands that are apt to shift between one season and another."

Canada and U. S. Trade Policy

In a similar context, the Canadian Manufacturers Association, after carefully studying the problem, last autumn placed its finger on several aspects of the policy of the United States in the field of foreign trade that cause disquiet to Canadian exporters, and I should like to put before you their five recommendations:

"(1) Further simplification of the U. S. Tariff Act of 1930, which could be accomplished by—

"(a) Elimination of Section 402 (i.e., foreign value provision).

"(b) Relaxation of marking requirements on goods which are difficult or expensive to stamp with country of origin.

"(c) Establishment of simple but realistic basis for conversion of foreign currencies into U. S. dollars.

"(d) Elimination of consular invoices.

"(2) Elimination of U. S. import quotas.

"(3) Reduction of U. S. tariff rates on manufactured goods to the extent needed to give a small share of U. S. domestic market to foreign producers.

"(4) Cancellation of 'Buy America Act.'

"(5) Cancellation of legislation dealing with Cargo Preferences."

These critical remarks have already found an echo among thinking businessmen in the United States, and the Report of the Commission on Foreign Economic Policy under the chairmanship of Mr. Clarence B. Randall has already taken cognizance of them. Indeed, President Eisenhower in his recent recommendations to the Congress has stated that the program of the Government of the United States "consists of four major parts: *Aid*—which we wish to curtail; *Investment*—which we wish to encourage; *Convertibility*—which we wish to facilitate; *Trade*—which we wish to expand."

With every part of this program Canadians are in heartfelt accord, and the collaborations of our two countries in creating "The Joint United States-Canadian Committee on Trade and Economic Affairs" is evidence of that harmony of opinion. This is, I think, the first time in our history that Canada and the United States have set up a joint committee to deal with economic matters and appointed as their representative members, senior members of the Cabinet from Ottawa and Washington, but the tradition of collaboration and discussion is an ancient one. Boundary disputes have long been referred to the Standing International Boundary Commission; while an International Joint Commission settles problems arising in conection with the waterways along our common frontier. Early in the recent war we created a Permanent Joint Board on Defense, and more recently a Joint Industrial Mobilization Committee.

I emphasize this tradition and the collaborative attack on our present problems because the fundamental solution of problems that create friction between Canada and the United States does not depend upon the detailed phrasing of an Act of Parliament or the clauses of an Act of Con-

Maitland D. McCarthy, *Carlile & McCarthy, Ltd.*, Vancouver, B. C.; S. G. Stamford, *Guildhall Securities, Ltd.*, Montreal; Allan Turney, *Locke, Gray & Co.*, Calgary, Alta.; D. B. Creighton, *Nesbitt, Thomson and Company, Ltd.*, Montreal

Mrs. G. E. Wootten; H. J. Bird, *H. J. Bird & Company, Ltd.*, Vancouver, B. C., Canada; Andrew L. Anderson, *Anderson & Company, Ltd.*, Toronto; Mr. & Mrs. Paul Flemming, *Flemming & Co.*, Toronto; G. E. Wootten, *Western City Company, Ltd.*, Vancouver, B. C.

gress. These can be changed easily if we wish to do so. The fundamental thing, the important thing, is our attitude of heart and mind. As I have tried to point out, our trade with the United States is vital to the prosperity and welfare of Canada. We want to maintain it on a stable basis for that reason. We want to maintain it on a stable basis because we feel that close kinship with the United States that we feel with our fellow nations of the British Commonwealth. We enjoy our friendly partnership with you.

Does the United States share that conviction? Does the average citizen of this great country recognize that the events of the 20th century make the United States just as dependent on Canada as Canada is dependent upon the United States? Does it recognize that Canadian imports to it are as significant in the pattern of its economy as are the American exports to Canadian life? Or, as we who are north of the border sometimes fear, does the American climate of opinion regard Canadian trade as a luxury that may be reduced or cut off if it seems to interfere in any way whatsoever with the prosperity of any American producer, no matter where his costs may stand in relationship to his competitors?

This is not primarily a political question to be debated in legislative halls. We are concerned here with the fundamental ideals and prejudices of every thinking individual. Only in the hearts and minds of men, Americans and Canadians alike, can that partnership, on which so much the fate of the world depends, be cemented. Only in that kind of whole-hearted and enduring partnership can we both augment our strength to invincibility, and yet preserve in each of our houses that individuality which characterizes our separate inheritances. Only in that kind of whole-hearted and enduring partnership can each of us say to the other that, as long as the world endures:

"I shall know that your good is mine:
ye shall feel that my strength
is yours:
In the day of Armageddon,
at the last great fight of all,
That our houses stand together
and the pillars do not fall. . . .
Go to your work and be strong,
halting not in your ways,
Baulking the end half-won
for an instant dole of praise.
Stand to your work and be wise—
certain of sword and pen,
Who are neither children nor Gods,
but men in a world of men."

Display of Public Relations Material At the Convention

The following firms contributed to the display of advertisements, booklets, folders and other mailing pieces on view during the Convention:

A. E. Ames & Co. Limited
Bankers Bond Corporation Limited
Burns Bros. & Denton Limited
Cochran, Murray & Co. Limited
R. A. Daly Co. Limited
Deacon Findley Coyne Limited
Dominion Securities Corpn. Limited
Equitable Securities of Canada Limited
Gairdner & Company Limited
John Graham & Company Limited
Greenshields & Co. Inc.
Harrison & Company Limited
L. S. Jackson & Company Limited
A. M. Kidder & Co.
Kippen & Company Inc.
Rene-T. Leclerc, Inc.
Mackellar Securities Limited
McLeod, Young, Weir & Company Limited
Merrill Lynch, Pierce, Fenner & Beane
Midland Securities Corpn. Limited
Nesbitt, Thomson and Company, Limited
Osler, Hammond & Nanton Limited
W. C. Pitfield & Company Limited
Playfair & Company
James Richardson & Sons
Ross, Knowles & Co. Limited
Royal Securities Corporation Limited
Walwyn, Fisher & Co.
Wood, Gundy & Company Limited

Mr. & Mrs. Jack Plewman, *Gairdner and Company, Ltd.*, Calgary, Alta.; Mr. & Mrs. Philip A. Wootten, *The Western City Company, Ltd.*, Vancouver; Andre La Flamme, *J. E. La Flamme, Ltee.*, Quebec, Que.

Mr. & Mrs. Doug Armour, *Brawley, Cathers & Company*, Toronto; George C. Stewart, *Royal Securities Corporation, Ltd.*, Toronto; Mr. & Mrs. T. Gordon Crotty, *Merrill Lynch, Pierce, Fenner & Beane*, Toronto

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In Attendance at I.D.A.C. Convention

CREIGHTON, D. B.
Nesbitt, Thomson and Company, Ltd., Montreal

CROTTY, GORDON*
Merrill Lynch, Pierce, Fenner & Beane, Toronto

CUNLIFFE, GUY S.
"The Gazette," Montreal

DAKIN, Jr., W. A.
Osler, Hammond & Nanton Limited, Regina

DALY, Jr., R. A.
R. A. Daly Co. Limited, Toronto

DEACON, F. C.*
Deacon, Findley Coyne Limited, Toronto

DILL, C. J.*
Royal Securities Corpn. Limited, Vancouver

DILLON, J. M.
Carlile & McCarthy Limited Calgary

*Denotes Mr. and Mrs.

DINGLE, H. H.*
Wood, Gundy & Company Limited, Vancouver

DUGGAN, ERIC M.*
D. M. Duggan Investments Limited, Edmonton

EBBELS, W. D.
Houston, Willoughby & Company Ltd, Regina

EDGE, W. A.
Investment Dealers' Association, Montreal

EDWARDS, J. C.*
Matthews and Company, Toronto

ELSEY, N. F.
Wood, Gundy & Company Limited, Calgary

ERTL, E. C.*
"Financial Times," Montreal

EVANS, F. O.*
McLeod, Young, Weir & Company Ltd., Toronto

EVANS, W. J. S.
Guildhall Securities Limited, Montreal

FARNSWORTH, H. R.
Royal Securities Corpn. Limited, Calgary

FERGUSON, J. R.*
Nesbitt, Thomson and Company, Ltd., Montreal

FISHER, A. P.
Walwyn, Fisher & Co., Toronto

FISHER, P. M.*
A. E. Ames & Co. Limited Montreal

FLEMMING, PAUL*
Flemming & Company, Toronto

FRASER, G. LYALL*
Western City Company Limited Vancouver

GARDNER, G. R.
Osler, Hammond & Nanton Limited, Calgary

GASSARD, H. L.*
Investment Dealers' Association, Toronto

GENDRON, JEAN
J. T. Gendron Inc., Quebec

GINGRAS, GERARD*
Rene T. Leclerc Inc., Montreal

GORDON, A. S.
Royal Securities Corpn. Limited, Montreal

GRAHAM, C. T.*
Waterloo Bond Corporation Limited, Kitchener

GRENIER, Brig. J. N. E.
Grenier, Ruel & Cie Inc., Quebec

GRIFFIN, F. E.
Greenshields & Co. Inc., Montreal

GUNN, N. H.
Bell, Gouinlock & Company, Toronto

HALL, CARL I.*
Hall Securities Limited, Vancouver

HAMMOND, J. C.*
Royal Securities Corpn. Limited, Calgary

HANLEY, P. K.*
C. C. Fields & Co., Toronto

HANSON, T. R.*
Burns Bros. & Denton Limited Toronto

HENDERSON, JAMES*
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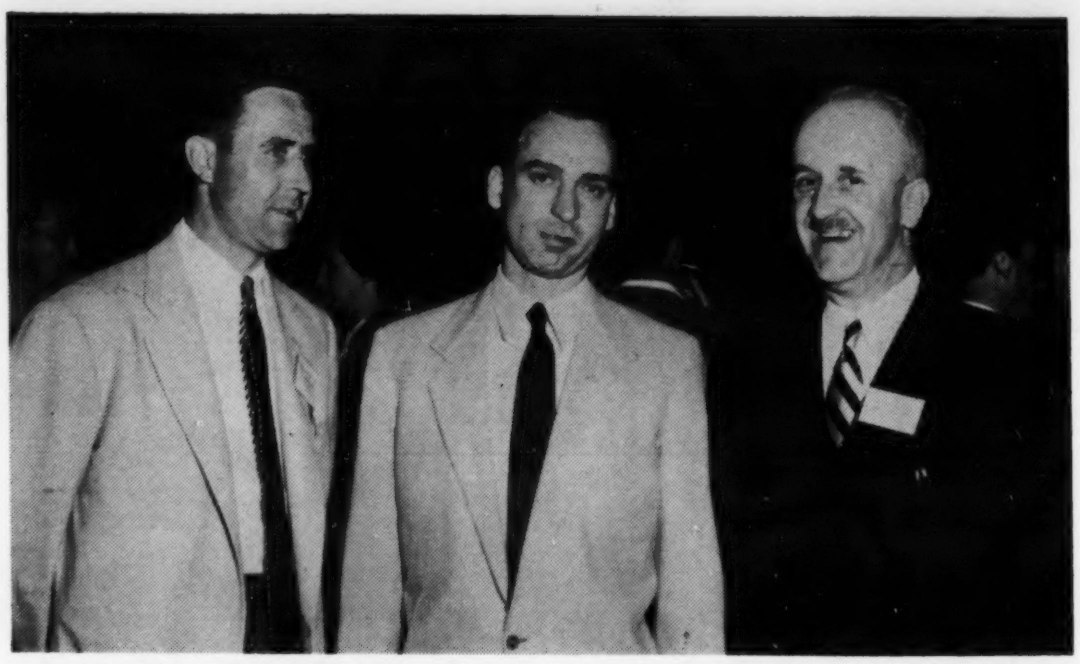

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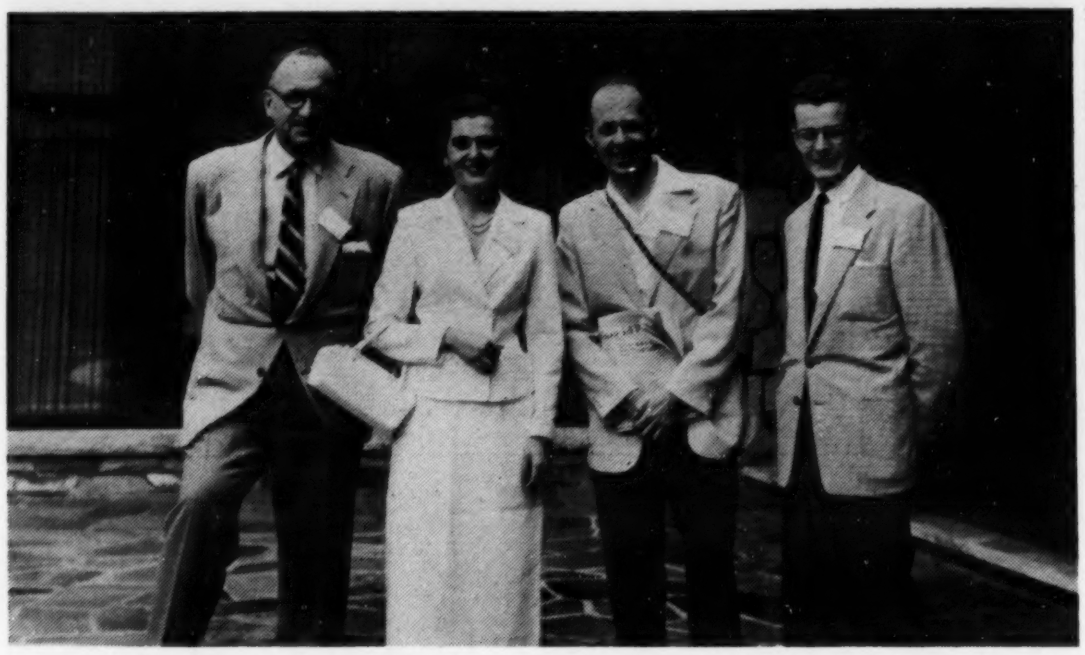

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Continued from page 29

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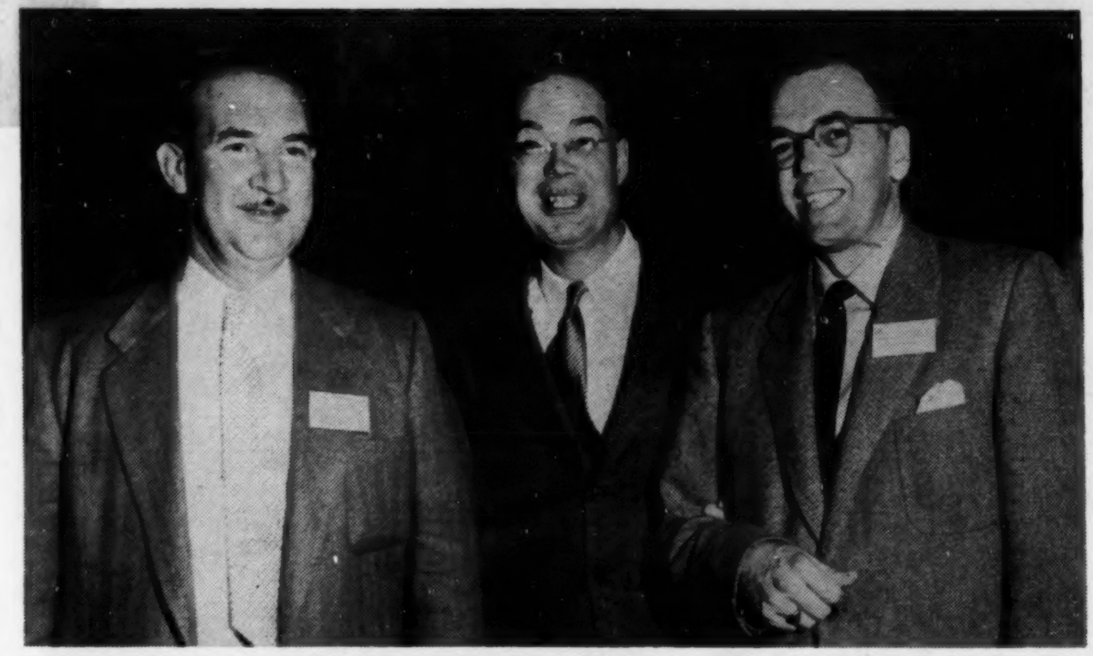

Hal Murphy, *Financial Chronicle*, New York City; Edward B. Kernaghan, *Kernaghan & Co., Ltd.*, Toronto; Rex Stevenson, *Nesbitt, Thomson and Company, Ltd.*, Edmonton, Alta.

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